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# Support for Farmers' Cooperatives

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*Case Study Report*  
**Human Capital  
building in  
agricultural  
cooperatives:  
Belgian and  
Canadian  
supportive policy  
measures**

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Caroline Gijssels

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## **Preface and acknowledgements**

In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, “Support for Farmers’ Cooperatives (SFC)”, in order to provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, by the European Commission, and by national and regional authorities in their effort to encourage and support the creation of agricultural producer organisations in the EU.

Within the framework of the SFC project, this case study report on human capital building in agricultural cooperatives and especially on the supportive policies in Belgium and Canada has been written.

Data collection for this report has been done in the spring of 2012.

In addition to this report, the SFC project has delivered 32 other case study reports, 27 country reports, 8 sector reports, 6 EU synthesis and comparative analysis reports, a report on cluster analysis, a report on the development of agricultural cooperatives in other OECD countries, and a final report.

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## Table of contents

1. Introduction.....	5
1.1 Objective and research questions .....	5
1.2 Analytical framework.....	5
1.3 Method of data collection .....	6
1.4 Structure of the report.....	6
2. Human capital in agricultural cooperatives: importance, investment, maintenance .....	7
2.1 Human capital.....	7
2.2 Human capital in cooperatives .....	8
2.3 Human capital investments .....	11
2.3.1 Building human capital.....	11
2.3.2 Attracting and maintaining human capital.....	13
a) Remuneration of managers and staff.....	13
b) Board compensation.....	13
c) Education and training.....	15
d) Networking.....	15
2.4 Methodology for the analysis of policy measures in support of human capital development, at the level of cooperatives and of governments. ....	16
3. Canada.....	17
3.1 Introduction.....	17
3.2 Agriculture and cooperatives in Canada.....	17
3.3 Policy measures supporting cooperative human capital development and maintenance in Canadian cooperatives .....	19
3.3.1 Measures taken by cooperatives.....	19
a) Compensation for board members and managers.....	19
b) Education and training.....	20
c) Establishment of and participation in networks.....	21
3.3.2 Government support measures for cooperative human capital building .....	22
4. Belgium.....	29
4.1 Introduction.....	29
4.2 Cooperatives and agriculture in Belgium.....	29
4.3 Policy measures supporting cooperative human capital development and maintenance in Belgian cooperatives.....	31
4.3.1 Measures taken by cooperatives .....	31
<i>a) Compensation for board members and managers.....</i>	<i>31</i>
<i>b) Education and training.....</i>	<i>31</i>
<i>c) Establishment of and participation in networks.....</i>	<i>32</i>
4.3.2 Government support measures for cooperative human capital building .....	33
5. Comparative Analysis and Conclusions .....	399
5.1 Canada-Belgium: a comparison of measures in support of human capital development in agricultural cooperatives and of the context in which they are taken.....	39
5.1.1 The broader economic and political-institutional context.....	39

5.1.2 Government support for cooperative business development.....	39
5.1.3 Cooperative education and training.....	40
5.1.4 Cooperative networks.....	41
5.1.5 Compensation.....	42
5.2 Lessons learned.....	42
5.3 Limitations.....	44
References.....	45
Appendix A. Questionnaire cooperatives.....	50

## List of abbreviations

APO	Association of Producer Organisations
CAP	Common Agricultural Policy
CMO	Common Market Organisation
PO	(recognized) Producer Organisation
OP	Operational Program

# **1. Introduction**

## **1.1 Objective and research questions**

The imbalances in bargaining power between the contracting parties in the food supply chain have drawn much attention, also from policy makers. The European Commission is committed to facilitate the restructuring of the sector by encouraging the creation of voluntary agricultural producer organisations. DG Agriculture and Rural Development has launched a large study, “Support for Farmers' Cooperatives”, that will provide the background knowledge that will help farmers organise themselves in cooperatives as a tool to consolidate their market orientation and so generate a solid market income. In the framework of this study, this report provides information on support measures taken by cooperatives as well as governments for human capital development in agricultural cooperatives. Human capital is essential to cooperatives, as it is for all enterprises, since it provides the skills, expertise and networks necessary to establish and develop cooperatives and make them flourish. This way it highly contributes to the bargaining power and the strengthening of the position of farmers in the food chain.

In this case study, the following research questions have been guiding the research:

- What is human capital in regard to agricultural cooperatives?
- What policy measures are taken by governments in order to support human capital in agricultural cooperatives?
- What measures are taken by agricultural cooperatives in order to attract, keep and develop human capital?

We focus on Belgium and Canada, since in both (federal) countries a relatively high number of government policy measures have been developed in recent years. Similarities as well as differences between both countries can be observed.

## **1.2 Analytical framework**

There are at least three main factors that determine the success of cooperatives in current food chains. These factors relate to (a) position in the food supply chain, (b) internal governance, and (c) the institutional environment. The position of the cooperative in the food supply chain refers to the competitiveness of the cooperative vis-à-vis its customers, such as processors, wholesalers and retailers. The internal governance refers to its decision-making processes, the role of the different governing bodies, and the allocation of control rights to the management (and the agency problems that go with delegation of decision rights). The institutional environment refers to the social, cultural, political and legal context in which the cooperative is operating, and which may have a supporting or constraining effect on the performance of the cooperative. Those three factors constitute the three building blocks of the analytical framework applied in this study (Figure 1).

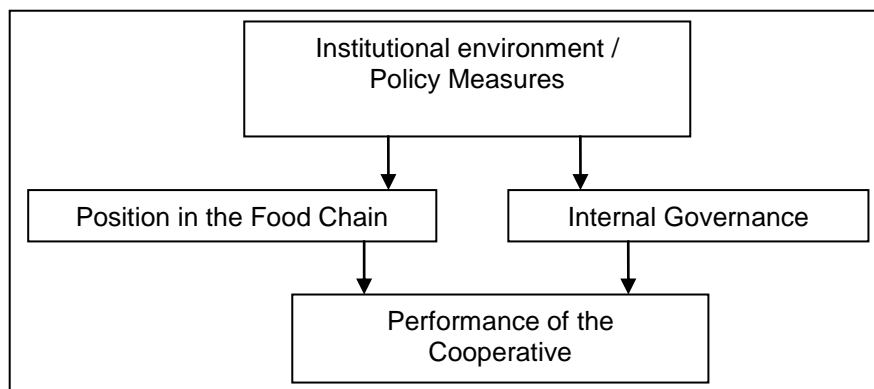


Figure 1. The core concepts of the study and their interrelatedness

Human capital has to do with internal governance: it is an essential prerequisite for cooperative governance and cooperative governance in turn is the locus of the development of human capital in cooperatives. Policy measures in the institutional framework may be supportive for the development of cooperative human capital, thereby strengthening the internal governance of cooperatives which in turn has an effect on their performance and the position of farmers in the food chain.

### 1.3 Method of data collection

The case study is based on multiple data sources. First of all, a literature review was made in order to try to define what cooperative human capital exactly means and what measures contribute to its development. Then, secondary data was used from the Belgian country report (Gijssels & Bussels, 2011) as well as the report on support for farmers' cooperatives in non-EU OECD countries (Iliopoulos, 2011), prepared within the framework of the Support for Farmers' Cooperatives project.

Additional information has been collected by sending a questionnaire on human capital in cooperatives to the top-cooperatives in agriculture in Belgium, as well as e-mail communications with key persons in the field in Belgium and in Canada related to policy measures and programs in support of human capital building in cooperatives.

### 1.4 Structure of the report

In this report we first dive into the literature on human capital, its definition and relevance for agricultural cooperatives, and the strategies for investment in it (chapter 2). Based upon insights from the literature we developed a methodology to study the ways in which cooperatives and governments support human capital development and maintenance in agricultural cooperatives. This methodology is presented at the end of chapter 2. We focus on Belgium and Canada. Both countries were selected because of the recent trends and evolutions in government support for (human capital development in) cooperatives. In chapter 3 we describe the situation in Canada, in chapter 4 that in Belgium. In chapter 5 we compare the findings and we draw conclusions.



## 2. Human capital in agricultural cooperatives: importance, investment, maintenance

This paper focuses on measures to build and maintain human capital in agricultural cooperatives and producer organisations. It is both situated in the internal governance building block and in the institutional environment/policy measures block. Internally, cooperatives have to develop ways to build and maintain human capital in their cooperatives. They have to attract the right professional staff in the right place, they have to seek adequate external advice and expertise when necessary, they have to educate and train their members and especially their board and controlling members. Governments (from local authorities to the EU-level) can support cooperatives through an enabling policy framework, financing and stimulating formal and lifelong education, providing financial support for business advice and technical assistance, recognizing the specificity of the cooperative model. In this chapter, we zoom in on these elements. First (paragraph 2.1), we develop the concept of human capital, based upon the literature. In the next paragraph (2.2) we argue why and what kinds of human capital are important for farmers' cooperatives and producer organisations. Then (paragraph 2.3), we focus on human capital investments that can be made by governments and cooperatives to build and keep human capital. This way, we sketch the framework for the analysis of policy measures (both taken by cooperatives and governments) in the remaining part of this study, where we take a look at and compare measures taken in Belgium and Canada. The methodology developed for the empirical analysis is described in paragraph 2.4.

### 2.1 Human capital

The Lisbon Council recognizes human capital as a key element in its 2020 Strategy. Human capital is quintessential to the development of societies, of the people that shape these societies and of the enterprises that play an important role in the economic and social development of these societies. It is an important factor for all kinds of enterprises, also for farmers' cooperatives and producer organisations that aim to enlarge the marketing power and the position of farmers in the food chain and the position of their families in society.

The concept of human capital goes back to Adam Smith in the 18<sup>th</sup> century: *"Fourthly, of the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labor, and which, though it costs a certain expense, repays that expense with a profit"* (Smith, 1904(1776)).

The concept was reused in the 1950s and 1960s by theorists such as Jacob Mincer (1958), Theodore Schultz (1961) and Gary Becker (1964). In general, human capital is defined as a *combination of talents and skills a person has by nature on the one hand, and knowledge and skills that are achieved by education and training on the other hand*. In business terms, human capital refers more specifically to the *skills and talents of workers and employees that have direct relevance for a specific industry or a particular enterprise* (OECD, 2007). In this sense, Becker made a distinction between "specific" and "general" human capital. Specific human capital refers to skills or knowledge that is useful only to a single employer or industry, whereas general human capital (such as literacy) is useful to all employers.

In a seminal article Schultz (1961) referred to important role played by education and knowledge in the generation of welfare and economic growth. On the macro-level Schultz argued that the growth of human capital has been the most distinctive feature of the economic system in Western societies, leading to economic growth, to an increase in productive capacity, and to a

substantial rise in real earnings per worker. Schulz argues that investment in human capital yields a return over a long period. National income in Western countries has risen faster than national resources such as land, man-hours worked and the stock of reproducible capital used to produce the income. He refers to the importance of knowledge and skill as a critical investment variable determining the rate of economic growth. With specific reference to agriculture, he argues that investments in production techniques and technology require considerable investments in human capital in order to achieve economic development. At the micro-level, Schultz argued that earned income is higher among skilled and educated workers. Since 1961, numerous studies have found positive relationships between education level and earned income.

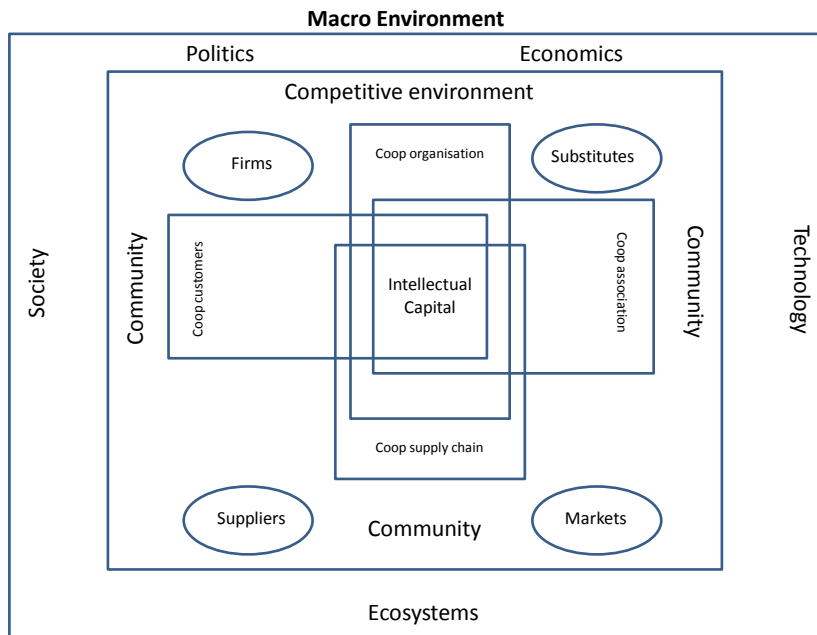
For people and societies human capital is shown to have positive economic effects (a higher educational level is positively correlated with a higher earned income per capita and a higher level of economic welfare and development in society), as well as non-economic effects (a higher human capital is positively correlated with better health, longer life and more participation in societal life). In the 'knowledge society' it is quintessential for people's participation in the labour market and for the attainment of higher levels of innovation and development, necessary for enterprises to keep up and compete in a highly competitive market and a global economy with its long distance communications and advanced ICT tools (OECD, 2007), but also confronted with the big demographic challenge of ageing and the challenge of climate change.

## **2.2 Human capital in cooperatives**

As in other enterprises, *technical and entrepreneurial expertise and skills* are highly needed in cooperatives, either intra-organizational (human capital of staff, managers and board members), or extra-organizational (expertise from outside, for example expertise available within networks of cooperatives (cf. infra), cooperative development agencies and consultants, and research centres).

However, it is important to note that "*cooperatives are businesses, but they are not business as usual*" as Pauline Green, president of the ICA, argues in her speeches during the UN International Year of Cooperatives. Cooperatives are membership based organisations, led and controlled by members in a democratic way, set up to realize cooperative advantages (benefits) for members and led by specific norms related to profit making and distribution. According to Dame Pauline Green "*they are about human need, not human greed (...) they are values led businesses.*" They are unique governance, financial and legal business model. Therefore specific skills and knowledge for cooperatives are needed.

Davis (2006) rightly argues that, in virtue of the unique identity and structure of cooperatives, *human resources management in cooperatives* needs to be broadened. Next to employees, members ought to be seen as part of a cooperatives human capital assets. Both employees and members have to be managed professionally and according to the cooperative principles. By mobilizing membership, cooperatives' human capital is significantly larger than in other types of enterprises that reduce human capital to their (paid) labour force. Davis states that "*cooperatives' intellectual capital is formed through the integration of stakeholder knowledge drawing from and responding to the cooperative competitive and mega environments*" (Davis, 2006):



Source: Davis (2004) in Davis, 2006

Figure 2: Intellectual capital in cooperatives

Human capital management in cooperatives is social capital management, according to Davis (2004), including staff and managers, as well as members. Valentinov (2004) also points to the importance of the social capital element in cooperatives, referring to Draheim's analysis of the 'dual nature' of cooperatives (being both an association and an enterprise). In their analysis of social capital in Denmark and Poland, Chloupkova, Svendsen & Svendsen (2003) take agricultural cooperatives even as a proxy of social capital, pinpointing to the network component of social capital.

In the literature social capital is broadly defined as the trinity of 'networks, norms of reciprocity and trust'. In economics it is increasingly recognized and studied as an important factor for economic performance (van Schaik, 2002). James Coleman (1988) defines social capital as "a variety of entities with two elements in common: they all consist of some aspect of social structure, and they facilitate certain actions of actors...within the structure". It refers to anything that facilitates individual or collective action, generated by networks of relationships, reciprocity, trust, and social norms. According to Coleman, trust and norms of reciprocity emanate from networks of relationships. Robert Putnam (1995, 2000) states that social capital refers to "the collective value of all 'social networks' and the inclinations that arise from these networks to do things for each other."

Valentinov (2004) states that "*the cooperative organisation is a special, social capital-based, type of organisation in the sense that it is based on social capital in the same way as market and hierarchy types of organisations are based on price and authority respectively.*" Social capital, according to Valentinov, is the major resource of organisations that unite symmetrically interdependent actors and that are governed on the basis of cooperative principles. It is also a major challenge. The incentive problems and difficulties in collective decision making can be explained by insufficient actual availability of social capital. The cooperative principles are to be used as social capital reinforcing governance instruments: the first four<sup>1</sup> ICA-principles promote

<sup>1</sup> The first four ICA-principles: (1) voluntary and open membership, (2) democratic control, (3) a limited compensation on capital, (4) autonomy and independence ([www.ica.coop](http://www.ica.coop)).

it as the organisational principle, the last three<sup>2</sup> promote it as a resource (Valentinov, 2004). Therefore, in cooperatives a good knowledge of these principles and a way to implement them in practice, is needed. This is entirely in line with the analysis of Fulton (1999) who pinpoints to the necessity of a cooperative culture or ideology for the formation, but also the continuation of cooperatives. Collective action must be perceived as the right way to tackle common challenges, a social movement aspect is necessary. This is also emphasized by Develtere (1994). This social and ideological aspect needs to be made explicit and kept alive in order for cooperatives to obtain member commitment, thus to survive, rather than to demutualize or develop into IOFs (Fulton, 1999).

According to Davis (2004) Cooperative Social Capital Management should be based on the recognition, communication and development of the cooperative difference in

- the recruitment of managers
- societies' mission statements and values
- communications between staff and management
- communications with stakeholders

And Cooperative Social Capital Management is (Davis, 2004):

- An important ends for cooperatives, according to principles three, six and seven of the ICA)<sup>3</sup>
- A strategically important defensive action for cooperatives competing against multinational businesses
- A potential for greater integration between formal and informal economies and between economic and social goals
- A mobilizing force: by mobilizing membership as part of human capital, cooperatives increase their real human capital asset base and their ability to generate value added both financial and social.

The sixth cooperative principle '*cooperation among cooperatives*' adds an important dimension to this. Next to *intra-organizational social capital* (the cooperative as a social capital organization) *extra-organizational social capital* is mobilized in networks of cooperatives. In an article on co-operative networks, adaptability and organizational innovations Novkovic (*forthcoming*) argues that social networking is a driving form of innovative cooperatives in Canada, Italy and elsewhere in the West. While some (agricultural) cooperatives pushed for new ownership structures, others used social networking as a vehicle for adaptation to a changing environment and a foundation of organizational innovation. More than the new ownership structures, this particular adaptive strategy preserves the cooperative identity, forging cooperation among cooperatives and with other societal actors, respecting autonomy and independence as well as democratic governance and the subordinate role of financial capital. Networks are based on norms, trust and reciprocity, contracts in cooperative networks are often intentionally open-ended in order to allow for flexibility and adaptability. Novkovic makes a distinction between 5 types of networks: (1) cooperatives as such, (2) inter-organizational networks of cooperatives (e.g. second-tier cooperatives, cooperative federations,...), (3) supply chain networks of cooperatives with other cooperatives, (4) cooperative membership in professional (cooperative development) networks/associations, (5) cooperative networks of coops, individuals and businesses or government agencies for a particular purpose, often outside the core business (complex networks; mixed consortia). Therefore, in cooperatives, a good knowledge of how these networks work, of their advantages and of how they are built and relationships of trust and reciprocity are established and maintained is essential. Participation in them is a means to create more cooperative advantage. Of course, networking needs to comply

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<sup>2</sup> The last three ICA-principles: (5) education, training and information of members, (6) cooperation among cooperatives, (7) concern for community ([www.ica.coop](http://www.ica.coop)).

<sup>3</sup> These principles are: (3) a limited compensation on capital, (6) cooperation among cooperatives, (7) concern for community ([www.ica.coop](http://www.ica.coop))

with competition law. However, as is apparent from the operations of the CMO Fruit & Vegetables, it is not necessarily so that networking is distorting the level playing field.

Thus, the human capital agricultural cooperatives and producer organisations are in need for, consists of:

- *Technical skills and knowledge* – in particular related to agricultural production, processing, marketing, product and process quality and innovation.
- *An entrepreneurial attitude, skills and knowledge of entrepreneurship* – and of cooperative entrepreneurship in particular, based on the cooperative principles and values, taking into account the specific characteristics of cooperatives as collectively owned, democratically governed, mutual benefit oriented enterprises.
- *Managerial skills and knowledge* – in particular of cooperative or collective entrepreneurship, member management and cooperative (democratic) decision making, cooperative financing (cooperative capital, cooperative profits and profits sharing), and the definition, communication and development of the ‘cooperative difference’
- *Social capital* – in particular networks of, and trust relationships within and among (cooperative) organisations and enterprises up- and downstream in the production chain, as well as other societal actors (governments, civil society organisations,...)

This human capital in cooperatives is to be located in the *internal network* – the staff members (employees and managers) and members, as well as in the *external network* (the cooperative network the cooperative enterprise is member of, the relationship with external experts, consultants, development agencies and research centres).

## 2.3 Human capital investments

### 2.3.1 Building human capital

Evenson (1988) describes three different investment strategies for building human capital, i.e.

- education and extension,
- research and
- economic/rural development projects.

In his 1988 review on studies on human capital and agricultural productivity change, Evensen found that many studies indeed show the effects of *schooling and extension*, but that there is a lack of evidence with regard to research and rural development projects.

In the meantime, education is also politically recognized as an important mechanism for economic development. In its *Europe 2020* strategy the European Council (2010) especially makes a plea for the embedment of creativity, innovation and entrepreneurship in education in order to make Europe more fully exploit its entrepreneurial potential. Entrepreneurship and a sense of initiative is defined as one of the eight key competences developed through lifelong learning, required for citizens’ personal fulfillment, social inclusion, active citizenship and employability in a knowledge based society. Entrepreneurial programs are to be developed and supported that stimulate and develop the entrepreneurial attitude and skills, as well as the necessary knowledge of entrepreneurship among European citizens (Gibcus et al., 2012). In their study among alumni of entrepreneurial programs in Europe Petra Gibcus and her colleagues show that these programs positively contribute to the European mindset of the alumni, their intentions toward entrepreneurship, their employability and their role in society and in the economy (Gibcus et al., 2012).

In its *Action Plan Europe 2020* the Lisbon Council argues that not only *formal education* is needed and should be supported by governments, but also *life-long and life-wide learning*, including

flexible on-the-job training and education for professional staff. One could add that, given the specific membership character of farmers' organizations and cooperatives, this training and education is also needed for (board) members. Cooperatives can augment their human and social capital by engaging educated staff and professional management, and by attracting necessary expertise in their boards. They can offer their staff and management, as well as their members and board members in particular, training to reinforce their business skills and knowledge, their knowledge of the cooperative principles and values, and their social capital. Governments can organize and support formal education and provide subsidies for education and training of staff, management and (board) members.

*Training* is perceived to be a central component of strategies to reinforce the managerial, financial, and negotiating capacities of farmers' organizations and cooperatives. It especially contributes to the development of social capital that is associated with cooperative problem solving and the creation of networks of organizations that might help farmers protect their interests (Bingen, Serrano & Howard, 2003). It may be suggested to include the possibility to subsidize cooperative training & education in agricultural cooperatives, PO's and APO's via the second pillar of the CAP.

In their research on capacity building in farmers' cooperatives and associations in four African countries, Bingen, Serrano & Howard (2003) show that interventions that concentrate on the development of human skills and social capital (a type of interventions they call *process/human capacity interventions*), including support for collective self-help capacity building, require a long-term and focused commitment. Their results may be less easily observed than that of other types of interventions, and they may be of a more qualitative kind, but they lay the foundation for grassroots resilience. Through process/human capacity interventions, farmers learn to deal with a broader set of actors and opportunities. They internalize both the leadership and the organizational structure. Networking is encouraged and new opportunities arise from the emergence of diverse, expanding and community-oriented activities. Farmers identify their needs and determine their own demand for agricultural goods and services. However, some groups of producers may benefit more than others. A facilitative enabling environment is a critical success factor for the creation of a level playing field for producers. Referring to Paolo Freire's concept of 'conscientization' Bingen, Serrano & Howard argue that through process/human capacity interventions "*farmers and households learn to acquire a critical capacity to think their way through and overcome previously accepted 'constraints' as a basis for continued livelihood renewal*" (Bingen, Serrano & Howard, 2003: 414-415). According to Bingen, Serrano & Howard, process/human capacity interventions are quintessential to the development of farmers as independent economic and political actors. Governments can provide political and financial support for these process/human capacity interventions, often realized by non-governmental organizations, such as cooperative federations and associations of cooperatives, cooperative development agencies (often set up and/or supported by mature cooperatives) and cooperative schools and research centres.

*Research & development* is another key factor for success of agricultural cooperatives and producer organizations. It can be organized at the level of the cooperative, or at the level of a network of cooperatives (second tier cooperative, cooperative federation, association of cooperatives,...). Governments can provide financial support for research & development at the level of the individual cooperative or at the network level. The same holds true for specific *business and technical advice and support*. Cooperatives can seek individual advice and set up and join networks that provide collective advice, such as cooperative development agencies, cooperative federations or associations of cooperatives that put forward cooperative development on their agenda. Governments can financially support individual support for cooperatives as well as finance cooperative networks and cooperative development agencies, as is rightly so foreseen in CAP2020.

## 2.3.2 Attracting and maintaining human capital

### a) Remuneration of managers and staff

Cooperatives should attract internal and external skills and expertise. In order to attract and maintain competent and motivated *managers and staff*, cooperatives should pay them well. Although financial compensation is not the only thing that matters, it matters a great deal to employees (Brown, 2005; CCA, 2006; Huett & Marcoul, 2008; Pellervo, 2000; Rotan, 1993; Trechter et al., 1997; USDA, 2002). Compensation can be both direct (wages, salaries) and indirect (benefits, bonuses). There are no universal norms to guide the choice of what to pay any particular employee, but some internal and external factors should be considered. Internal factors are cost management (sales, operating expenses), job responsibilities, the employee's educational background, experience and/or skills, and the number of employees needed. External factors include government policies and regulations, the labor market, and geographical location (Rotan, 1993).

Management and staff remuneration schemes are increasingly important as an instrument of corporate governance. They want to motivate staff and management to work harder, they want to guarantee them a competitive salary in order to obtain and keep the best people), they want to get them work in the interest of the owners (the members). These schemes can only be effective if they are based on corporate goals and correct measurement, if the required level of performance is defined (criteria) and rules are put in place concerning how 'bonus points' accumulate, and if a definition of the monetary equivalent of the criteria is provided: how bonus points are converted into money (Pellervo, 2000). Cash-based incentive and commitment salaries can be used in accordance with a set of agreed criteria, individual or based on a unit or enterprise. Share ownership and share value based remuneration schemes can be put in place. However, in cooperatives stock options and shares are said not to be that effective since shares do not change in value (except for devaluating if the coop performs worse). As the main owner of its incorporated parts, a cooperative may find it difficult to build up an option-based incentive scheme. Pellervo suggest to use Economic Value Added (EVA), that is what remains from the companies' profit after deduction of the required return on invested share and other capital, as a medium term incentive. Studies show that cooperatives thus far are reluctant to use incentive and commitment remuneration schemes (Brown, 2005; CCA, 2006; Pellervo, 2000; Rotan, 1993; Trechter et al., 1997; USDA, 2002). However, they all tend to recommend cooperatives to think seriously about their objectives, criteria and measurement. Though Huett & Marcoul (2008) would suggest not to exaggerate, since the double relationship members have with the cooperative (as investor & user) changes both the information and the incentives that owners have to monitor managerial performance and this would reduce the need for coop CEO's to receive performance based pay.

### b) Board compensation

Cooperatives should not only attract and maintain competent and motivated staff and managers, but also attract and build competences among board members, as well as make good use of the knowledge and insights available among their members. In the first place it is necessary to communicate with members (give information about the cooperative at the general assembly, via the (member pages) of a corporate website, via newsletters,... and ask for advice and ideas through member circles and advisory boards, or via member surveys). It is equally important to provide training and education to board members, to evaluate their functioning, and it may be a good idea to compensate them for their participation at meetings of board, at least for costs made (such as travelling,...).

Reynolds (2003) makes a distinction between two types of compensation for board members:

- Per diem or per meeting payment

- An annual stipend or retainer

The latter holds an implicit recognition that board meetings are not the only occasions for a directors' work. Sometimes higher compensations for board chairs and/or board secretaries are offered. Reynolds (2003) finds that cooperatives generally provide no or low compensation for members sitting on the board of coops. However, a survey among agricultural cooperatives shows that farm supply and grain coops are among those cooperatives giving most director compensation. In Finland cooperatives (e.g. Nokia) have decided to pay part of the annual remuneration of board members in shares. In Nokia this part amounts to 40% (motivated by fiscal reasons).

According to Brown (2005) members see the compensations for board members as money coming from their own pockets. Therefore it is necessary to inform people about this mechanism of director compensation so that they can understand why a decision with respect to board compensation is made and that they can see the value the board brings to the coop and its members. Brown advises to establish a board compensation/human resources committee within cooperative boards of directors in order to deal with such sensitive and complex issues.

In her analysis of the pro's and con's of board compensation, Brown (2005) discerns the following pro's:

- attracting skills and competences
- diversity (also people for whom it would be financial hardship to give up time without compensation)
- enhanced accountability (you get what you pay for, so compensate board members properly, then they will feel expected to add value)

She also mentions the following con's to board compensation:

- the principle of volunteerism
- the costs

She further distinguishes the following concrete up- and downward environmental drivers of board compensation:

Table 1: Up- and downward drivers of board compensation (Brown, 2005)

<b>Upward drivers of compensation</b>	<b>Downward drivers of compensation</b>
Level of skills and experience	Shareholders (members), employees, public and other stakeholders want to keep compensation down)
Scarcity of skills and experience required	Measure of value added and value linkage that compensation represents (hard to measure directly the value boards add)
Attracting most capable leaders	Affordability and corporate expense control
Increased time commitments	
Increased legal liability (shareholder litigation, D&O liability insurance costs)	
New regulations raising the bar (certifications and accountability)	

Source: Brown, 2005

On a personal level the following drivers are distinguished by Brown (2005), taking into account the observation by the Canadian Institute of Chartered Accountants that over the last years, benefits of board membership have decreased, while costs of board membership have increased:



Table 2: Benefits and costs of board membership

Benefits	Value now versus before	Costs	Value now versus before
Contacts	↓	Risks	↑
Business development	↓	Reputation	↑
Prestige/affiliation	↓	Legal	↑
Learning/experience	↓ or =	Time and effort	↑
Self-fulfillment	=	Expertise and experience	↑
Indirect rewards	?	Additional time/effort	↑
Financial rewards	?	Required investment	↑

Source: Brown, 2005

### c) Education and training

*“One is not born a cooperative member but becomes a member by education, training and experience”* (Bridault in Emblay, Indatou & Hadjia Zuluaga, 2007). Education, information and training is the fifth cooperative principle (ICA, 1995). The Canadian Cooperatives Act prescribes education and training is a cooperative board's duty. It is indispensable for good cooperative governance. Therefore, not only fair payment but also education and training of board members and staff (including managers) is essential. According to Emblay, Indatou & Hadjia Zuluaga (2007) it is necessary:

- To acquire the knowledge of cooperatism. It is through cooperative education that members, board of directors, senior management and employees will master the essence, the issues and the spirit of cooperatism (hence the cooperative movement, its evolution, beliefs).
- To master and acquire the concepts related to the particular values of the cooperative.
- To spread the cooperative message in order to get the adherence, conviction and support of all players around the ideals of the cooperative.
- To be able to guide collective reflections at gatherings of cooperative stakeholders.
- To develop expertise regarding the cooperative difference with regard to the management of resources, management of staff and volunteers, or management of the organization but also regarding the way in which the co-operative will invest in the community.
- To develop teamwork that can only be effective when strong links of solidarity among different categories of members exist. Collective individualism is fatal to the cooperative.

### d) Networking

Novkovic (*forthcoming*), Novkovic & Holm (2011), as well as Menzani & Zamagni (2010) argue that social networking is a crucial innovative cooperative adaptation strategy in the present era in Canada, Italy and elsewhere in the West and a foundation of organizational innovation. Through networks, cooperatives broaden their basis of human capital. They work together to exchange information, to learn jointly, to engage in research & development, etc. Cooperatives can engage in inter-organizational networks of cooperatives (e.g. second-tier cooperatives, cooperative federations,...), supply chain networks of cooperatives with other cooperatives, and cooperative membership in professional (cooperative development) networks/associations that are particularly efficient in this respect.

## **2.4 Methodology for the analysis of policy measures in support of human capital development, at the level of cooperatives and of governments.**

Time, both research time and the time span that most government measures in support of human capital development in agricultural cooperatives and producer organisations are active, is too short to draw robust causal relationships with respect to the effect of policy measures. Moreover, policy measures, whether taken at the level of the cooperatives and producer organizations or at the level of governments, always operate in a broader context, not in a vacuum. Therefore the problem of attribution needs to be taken into account when drawing, even cautious and preliminary conclusions. Therefore, it is not the aim of this paper to present a strong policy evaluation and to provide a rigorous analysis of the effectiveness and efficiency of policy measures. What we intend to do, is to sketch the context of the agricultural cooperative sector both in Belgium and in Canada, to enlist what policy measures are taken by cooperatives as well as by governments with respect to cooperative human capital development, attraction and maintenance.

Though general technical, entrepreneurial and business skills and expertise are vital for cooperatives as well, they are not unique to them. Therefore, in this paper we will restrict ourselves to measures for cooperative human capital development, attraction and maintenance, this is for the human capital that is specific for cooperative businesses.

These sketches are based upon the material from the country report of Belgium (Gijssels & Bussels, 2011) and the paper on support for farmers' cooperatives in non-EU OECD countries (Iliopoulos, 2011). This material is complemented with data from a small survey among Belgian agricultural cooperatives related to human capital in cooperatives, and insights from research on this topic in Canada. It is further complemented with insights from email communications with key persons in the field, both in Belgium and Canada, with respect to relevant policy measures that are particularly supportive with respect to the development and maintenance of human capital in agricultural cooperatives and producer organisations. Based upon an analysis of the cooperative sector and the types of measures taken by cooperatives and governments in Belgium and Canada, as well as based upon insights from the broader research literature, we will draw some general lines that emerge with respect to the creation of an enabling environment for agricultural cooperatives' human capital development and maintenance.

## 3. Canada

### 3.1 Introduction

From the paper by Iliopoulos (2011) on support for farmers' cooperatives in selected non-EU OECD countries, prepared within the framework of this study, we learn that Canada has developed the highest intensity of governmental support for cooperatives of all countries studied<sup>4</sup> as well as a strong agricultural policy framework. Especially the preferential tax treatment of cooperatives is said to have had a major impact on the development of the cooperative sector in Canada, like it has boosted the cooperative sector in the USA. A sector description of Canada has been provided in the paper by Iliopoulos (2011) in this study. We borrow from this description and complement it with findings based upon the analysis of policy documents and scientific studies on the cooperative sector in Canada.

### 3.2 Agriculture and cooperatives in Canada

From the by Iliopoulos (2011) we know that the agricultural sector has a share of 2,2% in the nominal GDP (compared to 1,8% for the European Union). The five largest agricultural sectors are grains & oilseeds (34%), livestock (27%), dairy (12%), horticulture (9%) and poultry and eggs (8%). The dominant crop grown by Canadian farms is wheat. The provinces Ontario, Alberta and Saskatchewan have the most farms. The role of agriculture has diminished during the 20th century, but remains of vital importance to the country and the organic food industry is growing at a 20% clip (Iliopoulos, 2011).

The co-op sector has a long history in Canada. In the late 19th century, farmers in Quebec, Ontario and Atlantic Canada established co-operative creameries and cheese factories. Alphonse Desjardins founded Canada's first *caisse populaire* in Lévis, Quebec in 1900. And in the first decade of the 20th century, farmers in western Canada organized marketing co-operatives for their products. The Co-operative Union of Canada, which became the Canadian Co-operative Association (CCA) in 1987, was the first national organized association for the Canadian co-operative sector. It was founded in Hamilton, Ontario on March 6, 1909 (website Rural and Cooperatives Secretariat).

Based upon the Annual Survey of Canadian Cooperatives 2008 by the Rural and Cooperatives Secretariat, we know that in 2008 there are 9.000 co-operatives in Canada, with 18 million members and 155.000 employees in a variety of labour markets, and with 252 billion in assets (Rural and Cooperatives Secretariat, 2011).

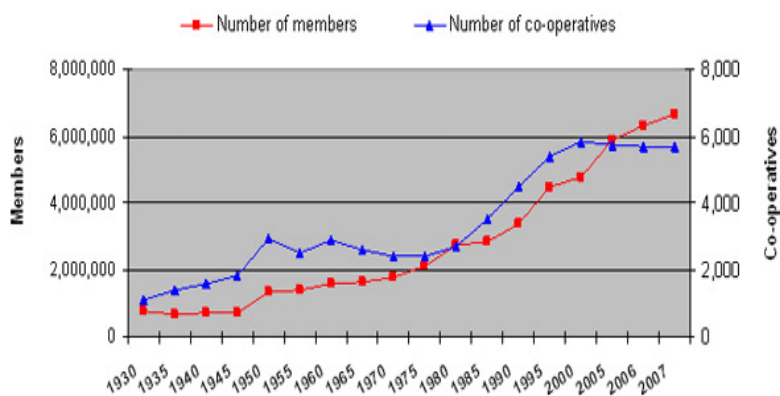
An interesting insight comes from a government report of the Ministry of Economic Development, Innovation and Export in Québec (2000, 2008) according to which the long term survival rate of cooperatives in Québec has demonstrated to be almost twice that of investor-owned companies.<sup>5</sup>

The figure below, based on data from the Rural and Cooperatives Secretariat, gives an overview of the growth of the number of cooperatives and the number of cooperative members in Canada over the last 80 years:

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<sup>4</sup> In descending order with respect to the intensity of governmental support for cooperatives, the countries studied are: Canada, USA, Norway, Australia, New Zealand, Switzerland (Iliopoulos, 2011)

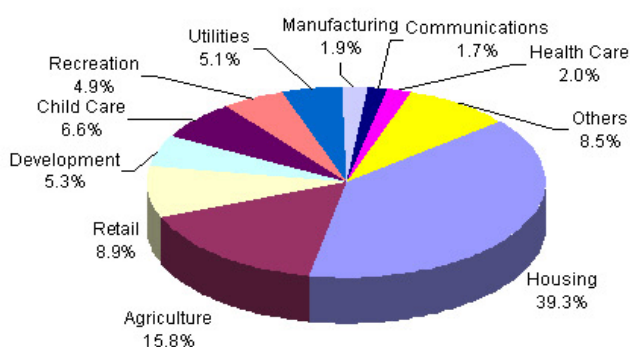
<sup>5</sup> [www.coopscanada.coop/public\\_html/assets/firefly/files/files/Research/Co-op\\_Survival\\_Rates\\_in\\_Quebec\\_coop\\_taux\\_survie\\_sommaire\\_Summary\\_FR.2008.pdf](http://www.coopscanada.coop/public_html/assets/firefly/files/files/Research/Co-op_Survival_Rates_in_Quebec_coop_taux_survie_sommaire_Summary_FR.2008.pdf)



Source: Rural and Cooperatives Secretariat (2011)

Figure 3: Evolution of the number of members and number of cooperatives in Canada (1930-2007)

A remarkable growth both in numbers of cooperatives and in numbers of members can be observed between 1985 and 2000. After 2005 the number of cooperatives remains steady, but the number of members is on the increase. Especially in Québec new cooperatives have been established over the last years, especially in the housing, health and services sector, not so much in agriculture (Anderson, 2011). The largest numbers of cooperatives in Canada as a whole can be found in the housing and agricultural sector, as is clear from the figure below (Anderson, 2011).



Source: Annual Survey of Canadian Cooperatives 2008 - Rural and Cooperatives Secretariat (2011)

Figure 4: In which sectors are cooperatives?

Cooperatives play a crucial role in Canadian agriculture, most importantly in farm supply and in the processing and marketing of agricultural products. In 2008 886 agricultural co-operatives<sup>6</sup> have over 584,000 co-operative members and over 32,000 employees (Rural and Cooperatives

<sup>6</sup> According to the Annual Survey on Agricultural Cooperatives, these 886 agricultural cooperatives can be divided into: 208 farm supplies cooperatives, 207 processing and marketing cooperatives, and 471 cooperatives that provide (other) support to agriculture (Rural and Cooperatives Secretariat, 2011)

Secretariat, 2011), which means that more than one in four of all people employed by cooperatives in Canada are employed by agriculture cooperatives. According to the Canadian Cooperative Association at least 70,000 co-op members serve on their boards of directors. This volunteer role develops local leadership and management skills and is an important part of the success of co-operative enterprise.<sup>7</sup> Of the 35,7 billion Canadian Dollars of revenues realized by Canadian cooperatives in 2008, 15,6 billion (44%) came from agricultural cooperatives (Rural and Cooperatives Secretariat, 2011).

In recent years, many structural changes such as consolidation, reorganization, divestment of assets and demutualization have taken place in the Canadian agricultural sector. Since 2002 some of the biggest Canadian agricultural cooperatives have ceased to function as a cooperative or demutualized: among others AgriCore, Saskatchewan Wheat Pool, Lilydale and Agrifoods International Co-operative. Major acquisitions and mergers have taken place. The majority of active memberships today is situated in the supply cooperatives, which is a reflection of the more intensive nature of the relationship between the cooperative and its members (Fox, 2009).

A few large co-operatives, such as Agropur and Gay Lea Foods in dairy, La Co-op fédérée in meat and poultry processing and Exceldor in poultry slaughtering and processing, account for the largest part of total revenues. Eight of the top ten agricultural co-operatives in Canada are Marketing and Processing Cooperatives and two Farm Supply Cooperatives round out the top 10. In farm supply, cooperatives play an indispensable role in the provision of farm inputs. They provide member cooperatives and producers with a broad range of farm inputs including fertilizers and chemicals, animal feed, seed, building materials and petroleum products (website Rural and Cooperatives Secretariat).

### **3.3 Policy measures supporting cooperative human capital development and maintenance in Canadian cooperatives**

#### **3.3.1 Measures taken by cooperatives**

##### ***a) Compensation of board members and managers***

A comprehensive national survey by Brown, in collaboration with the Canadian Cooperative Association (CCA), of co-operative and credit union governance practices shows that 50% of credit unions and 52% of cooperatives give compensation to board members (in contrast to 98% in the corporate sector). In case they do give compensation they pay on average 10 times less (credit unions) till 20% less than the corporate sector. According to Brown this may have to do with the higher complexity and larger size of many corporations, but also with the fact that in the corporate sectors directors are overcompensated whilst in cooperatives and mutuals on the contrary there is no tradition of paying directors and half of the coops investigated do not pay directors which has an important lowering effect on the average payments by the cooperatives and mutuals. Significant differences between cooperatives of different size (in terms of assets) can be observed. Size tends to be a bigger discriminator than sector. Cooperatives tend to pay an amount that is comparable to other cooperatives of the same size (in terms of assets), which means they look at what peer group organizations pay their directors. 26% of the cooperatives has a committee on the board that is responsible for the human resources/board compensation issue and has to deal with sensitive and complex issues, compared to 30% of the credit unions and 86% of the corporations (Brown, 2005).

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<sup>7</sup> [www.coop.qc.ca/COOP/display-afficher.do?id=1232131333489&lang=eng](http://www.coop.qc.ca/COOP/display-afficher.do?id=1232131333489&lang=eng)

No information on managers' compensation by agricultural cooperatives is available. A survey among Canadian cooperative grocers shows that the height of salaries of managers is related to the height of the sales, and, though large differences may be observed, on average the salaries of cooperative managers are lower than those of their corporate counterparts. Half of the cooperative grocers do not offer contingent pay, especially those that are smaller in size (in terms of sales), though also some of the biggest cooperative grocers do not offer contingent pay to their managers. In general, contingent pay is higher when base salaries are higher.<sup>8</sup> We can assume that the same holds true for agricultural cooperative managers. One can compare this with the findings of a survey among cooperatives in the USA (Rotan, 1993). This survey shows that salaries of other firms in the area were the least important factor in setting salaries for employees of cooperatives. As sales volume increase, the median salaries also increase for all job categories. The basis for bonuses of general managers, office managers and division managers is financial performance and sales levels. The basis for bonuses for sales and field representatives are sales and sales growth.

Case studies among 5 Midwest (USA) cooperatives with superior financial performance during the past five years (local returns on assets, patronage refunds paid, equity redemption as a % of total equity) by Trechter et al. (1997) show the boards and some managers seem to be skeptical about bonuses, especially ex ante bonuses. The reasons for this are to be found in the difficulty to determine proper incentives, the concern about adverse member reactions, the difficulty to distinguish between the effect of managerial choices and exogenous factors on performance, and a lack of experience with incentives. The cooperatives rely heavily on the motivation of the manager to do a good job. And most managers thought they were adequately compensated, close to what they would have preferred. In case bonuses are paid, they are related to a job well done, not to strategic targets. Evaluation is based on a review of financial statements, feedback from patrons, and, occasionally, from employees. Bonuses are not used to deal with agency problems, which tend to be more dealt with through interactions of the manager and the board. These interactions tend to be more informal as there is a closer relationship between the manager and the chairman of the board, and tends to be more formal with new(er) managers. The findings that cooperatives and mutuals in general do not have a culture of contingent pay for managers and staff is in line with Huett & Marcoul (2008) who claim that case studies support the hypothesis that cooperative owners have a transaction relationship with their cooperative (as customers or input suppliers) in addition to their investment relationship, which changes both the incentives and the information that owners have to monitor managerial performance, which in turn results in a reduced need for cooperative CEO's to receive performance-based pay, in contrast to other kinds of enterprises.

### ***b) Cooperative education***

*"One is not born a cooperative member but becomes a member by education, training and experience"* (Bridault in Emblay, Indatou & Hadjia Zuluaga, 2007). Education, information and training is the fifth cooperative principle (ICA, 1995). The Canadian Cooperatives Act prescribes education and training is a cooperative board's duty. It is indispensable for good cooperative governance. Therefore, not only fair payment but also education and training of board members and staff (including managers) is essential. Training and education is seen as the most essential service for its members by the biggest cooperative network in Canada, La Coop Fédérée (Fox et al., 2009).

In partnership with the sector some educational programs have been specifically designed for cooperative management education:

- The *Cooperative Management Certificate Program* (University of Toronto at Scarborough, in collaboration with the Ontario Cooperative Association, a unique three party

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<sup>8</sup> <http://www.cooperativegrocer.coop/articles/2009-01-21/manager-compensation>

association between the university, the student and the employer) (<http://mgmtcoop.utoronto.ca/>)

- The *Master of Management of Cooperatives and Credit Unions* (Saint Mary's University, Nova Scotia), an innovative web-based program that for cooperative and credit union professionals from around the world to learn how to combine the principles of cooperation with management practices. The MMCCU program is the product of a memorandum of Agreement between Saint Mary's University (Sobey School of Business) and the Co-operative Management Education Co-operative (CMEC), an initiative established by forward looking cooperatives and cooperative education and research centres and institutions in Canada and around the world (<http://www.smu.ca/academic/sobey/mm/mmccu.html>)
- On the Francophone side, there is an MBA specialized in collective enterprises (Université du Québec à Montréal) ([http://mba.esg.uqam.ca/programmes/cadreSectoriel/serv\\_entreprises.php](http://mba.esg.uqam.ca/programmes/cadreSectoriel/serv_entreprises.php)) and a *Master in Co-op and Mutual Management and Governance* at Université de Sherbrooke (<http://www.usherbrooke.ca/irecus/education/maitrise-gestion-gouvernance-cooperatives-mutuelles/>)

### ***c) Establishment of and participation in cooperative networks***

Cooperatives in Canada, like those in Italy, are particularly active in establishing and participating in cooperative networks (Fox, et al., 2009; Novkovic, *forthcoming*; Novkovic & Holm, 2011; Menzani & Borzaga, 2009). At the nationwide level there is the *Canadian Cooperative Association* and its Francophone counterpart, the *Conseil Canadien de la coopération et de la mutualité*. In each province councils or associations of cooperatives exist. Due to the preponderance of cooperatives and credit unions in rural and agricultural communities all over Canada, it was natural that these provincial and territorial organizations as well as the national organizations of cooperatives also focused – to some extent – on cooperatives. However, respondents of a survey among agricultural cooperatives across Canada indicated that the provincial councils and associations offered less training, information sharing and advice than they would like them to do. And when it was offered, most of the time it was not tailored to agricultural cooperatives. Research and research & development were not found to be offered at the provincial level (Fox et al., 2009).

La Coop Fédérée is the only Canadian based second tier cooperative (Fox et al., 2009). It was founded in 1922 under a special Act of the province of Québec and was mainly active in dairy sector (production of cheese and butter) and in farm supply. Originally three cooperatives became a member. Nowadays its bases is broad, including many more members (106 agricultural cooperatives) and sectors (e.g. meat and poultry) and it is virtually absent in dairy, since, after a merger with 5 dairy cooperatives in the group Lactel, this group was sold to Agropur and the dairy chapter of La Coop Fédérée was closed (Doyen, 2002). Members of La Coop Fédérée are both owners and users of as well as producers for its services. Funding is entirely private. La Coop Fédérée offers advice and engages in research & development for its members. It promotes the cooperative model and lends support to its members in living the cooperative principles. It shares information and is involved in networking. It offers training and education to staff, directors and members of its member cooperatives. It represents its members toward the government. Training and education is seen as the most essential service for its members. The research and development activities improve inputs and outputs significantly, which is very much to the benefits of the member cooperatives and their farmer members (Fox et al., 2009).

The research by Fox et al. (2009) on networks of agricultural cooperatives in Canada, the USA and Europe, reveals that representatives of Canadian agricultural cooperatives clearly had a positive perception of the impact of cooperative networks, but showed hesitance toward the



creation of more agricultural cooperative networks. Instead, they were looking for more concerted actions of existing organizations in response to provincial and national policies and challenges. Cooperatives themselves are looking for more long-term, tailor made and intensive training, education and consulting than what is being offered through information sharing and networking sessions. The fact is that there are still few options for replicable training and education programs. Leadership in Governance<sup>9</sup> (developed in partnership by Gay Lea Foods – a dairy co-op – and CCA) is offered to other agricultural co-operatives as well, but cost is often prohibitive for smaller newer co-ops who arguably need this sort of governance/director education program.

### 3.3.2 Government support measures for cooperative human capital development

The majority of co-operatives are incorporated under provincial/territorial legislation and operate in those specific legislative, regulatory and policy environments. This is coupled with federal legislation that impacts the environment in which these co-operatives operate. Canada and its provinces recognize the cooperative model as important instrument for economic and social development. Cooperatives acts provide a legal framework for this type of business and were passed rather recently both at the federal and provincial levels. At the federal level, the Canadian Cooperatives Act has been voted in 1998. The Canadian provinces, which have a great autonomy, also passed cooperatives acts, some earlier (e.g. Prince Edward Island (1976) and New Brunswick (1978)), others later (e.g. British Columbia (1999) and Alberta (2001)) to implement cooperative laws (see the paper by Iliopoulos, 2011). This broad range of legislation varies in terms of legislative updates and is not harmonized across provinces. In itself, these legal frameworks have nothing to do with human capital development but this inducement type of policy measure is important since it is a reflection of the recognition of the specific character of the cooperative type of enterprise. Which is a short step from recognizing that they are in need of specific human capital to make them flourish. Though it should be noted that not all provinces developed the same intensity of policy support measures for cooperative human capital building.

Building on the momentum of the UN International Year of Cooperatives, the Rural and Cooperatives Secretariat (2012) made an overview of all programs available to cooperatives in Canada is provided by the Rural and Cooperatives Secretariat, a unit within the Department of Agriculture and Agri-food of the federal government of Canada. The overview of programs for cooperatives is intended to provide comprehensive information on the federal as well as territorial and provincial policy support measures available for cooperatives and to improve access to these programs. It is the result of a collaboration by the Rural and Cooperatives Secretariat with territorial and provincial governments and is available via the website of the Rural and Cooperatives Secretariat.<sup>10</sup> 98 federal programs are enlisted, of which 2 are specifically dedicated to cooperatives: the Rural and Cooperatives Secretariat itself and the Cooperative Development Initiative (CDI), the others being available for all enterprises, including cooperatives. About one third of the programs is about capacity building, business development, innovation and research. Some of the programs are operated at a nationwide level, others are territorial or provincial initiatives financed with federal money.

- The *Rural and Cooperatives Secretariat* advises the Government of Canada on policies affecting co-operatives and encourages the use of the co-operative model for the social and economic development of Canada's communities. The Secretariat also provides a link between the cooperative sector and the many federal departments and agencies

<sup>9</sup> For more details on LiG: [www.coopscanada.coop/en/orphan/Leadership-in-Governance--by-Farmers-for-Farmers--](http://www.coopscanada.coop/en/orphan/Leadership-in-Governance--by-Farmers-for-Farmers--)

<sup>10</sup> [http://www.agr.gc.ca/index\\_e.php?s1=info&s2=t&page=coop](http://www.agr.gc.ca/index_e.php?s1=info&s2=t&page=coop)



with which they interact.<sup>11</sup> The Government of Canada delivered the 2012 Budget on March 29, 2012, to bolster Canada's fundamental strengths and address the important challenges confronting the economy over the long term. To address the need to reduce the federal deficit, over the past year the Government conducted a comprehensive review of direct program spending by federal departments and agencies. As a result of Agriculture and Agri-Food Canada's participation in this review, the Rural and Co-operatives Secretariat is refocusing on core policy and research priorities.

- The Cooperative Development Initiative (CDI) was a nation-wide program, implemented by the Canadian federal government, in order to support the creation, development and management of cooperatives. It was part of the Agricultural Policy Framework 2003-2007 and the more recent Growing Forward policy framework (2008-2012). Through the Growing Forward framework the Department of Agriculture is investing 1,3 billion Canadian Dollar over 5 years into a great number of programs. The funding represents 330 million Canadian Dollar more than the Agricultural Policy Framework (2003-2007) and is cost-shared on a 60:40 basis between the Government of Canada and the provincial and territorial states. The target group is comprised of farmers in general, but cooperatives are recognized as a vital type of business in the agricultural sector. The Growing Forward policy framework reflects input from across the sector and has the aim to deliver programs that are simple, effective and tailored to local needs. The second phase of the Cooperative Development Initiative was the most important program in this framework. As a result of the Government review of direct program spending by federal department and agencies conducted a comprehensive review of direct program spending by federal departments and agencies, the Co-operative Development Initiative is being discontinued.

Our respondents at the Canadian Rural and Cooperatives Secretariat and the Canadian Cooperative Association want to stress the importance of the Cooperative Development Initiative, that has lasted for almost 10 years. The first phase of this program ran from 2003 till 2008. It was composed out of an Advisory Services component and Innovation and Research component. The Advisory Services were delivered by the co-operative sector through a network of co-operative development experts established across the country, administered jointly by the English speaking *Canadian Cooperative Association* (CCA) and the Francophone *Conseil Canadien de la Coopération et de la Mutualité* (CCCM). Its aim was to support co-operative development by giving technical and expert advice to individuals and groups wishing to create or strengthen a co-operative. To this end, the CCA and the CCCM worked with local, regional and sectoral cooperative organizations who directly delivered technical assistance and expert advice. The advisory component focused on 4 main goals:<sup>12</sup>

- Support co-operative development by ensuring that technical and expert advice are provided to individuals and groups wishing to create or strengthen a co-operative;
- Strengthen capacity of national, regional and sector co-op organizations to promote and develop co-ops;
- Raise awareness of the co-op model as a community and business development tool; and

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<sup>11</sup> [http://www.agr.gc.ca/index\\_e.php?s1=info&s2=t&page=coop](http://www.agr.gc.ca/index_e.php?s1=info&s2=t&page=coop)

<sup>12</sup> <http://cccm.co-opscanada.co-op/en/advisory-services/Program-information>

- Establish broad-based partnerships between co-operatives and other community-based organizations in order to increase the use of the co-operative model as a community development and business tool.

The second component of the CDI-program focused on Innovation and Research, and was administered by the Rural and Cooperative Secretariat. Funding was granted to projects that aimed at creating and strengthening co-operatives in Canada. Innovation projects were selected for their capacity to test and demonstrate uses of the co-op model. Projects could be innovative in any number of ways; for example, through operating in an area new to co-ops or through innovative financing or partnership arrangements. Research projects were selected to research innovative and successful uses of co-operatives in order to find out what works, what does not, and what differentiates co-ops from other models or enterprises.

Innovative cooperative projects were supported within the framework of the CDI. Innovative Co-operative Projects could apply for a maximum of \$75,000 per year per project. The minimum proponent contribution for Innovative Co-operative Projects is 25% per individual project. In order to be eligible for funding projects must support the policies in the following areas:<sup>13</sup>

- agriculture, including farmer-driven value-added agriculture and biofuels;
- rural/northern community development;
- innovative goods and services, including innovative technologies; and
- capacity building and sustainability.

Examples of activities that could be funded under Innovative Co-operative Projects, include, but are not limited to:<sup>14</sup>

- Business development plans
- Feasibility plans
- Management development (education, advice, support)
- Membership structure
- Member education
- Governance & board training
- Development of by-laws
- Development of policies
- Legal structure (e.g. exploration of suitable cooperative models)

In a second phase (intended to run from 2009 till 2013, but discontinued since April 2012) the CDI-program was completed with a third component: research and knowledge development. It was entirely managed by the Rural and Cooperatives Secretariat which, to this end, collaborates with a hub of Canadian universities and research centres who have expertise in the field of cooperatives. The objective of this program component was to encourage research and dissemination projects that would advance the understanding of co-operatives' contributions to addressing challenges in the following three priority areas:<sup>15</sup>

- Local community economic development
- Changing community demographics
- Low-carbon communities

The Cooperative Development Initiative was the most comprehensive program for cooperatives in Canada, but due to budget restrictions, it was stopped early in April

<sup>13</sup> <http://www.coop.qc.ca/COOP/display-afficher.do?id=1232543849777&lang=eng>

<sup>14</sup> <http://cccm.coopscanada.coop/en/innovative-co-op-projects/Program-information>

<sup>15</sup> <http://co-op.qc.ca/CO-OP/display-afficher.do?id=1232543849777&lang=eng>

2012. What the effects of this early cancellation of the program at the related loss of expertise in the field will be is not clear. A research by Fox et al. (2009) showed that mature agricultural cooperatives had the impression that the program was more relevant for new initiatives. In addition they expressed concerns about the time specificity of the program on the one hand, and the risk of the creation of a dependency on government funding on the other hand which would impede the sustainability of the projects.

Between 2003 and 2011 292 projects have been supported through the project component of the CDI program for a total of 9.944.519 Canadian Dollar. 41 projects of the supported projects were situated in the field of agriculture, 12 in fishing and forestry, and 19 in the field of cooperative and business support. The projects received an average funding of 33.031 Canadian Dollar. In Québec projects really took a head start, with the most projects funded in the early years of the CDI program. British Columbia proved to be a quick follower, as the Atlantic provinces and Ontario. Later on also many projects were supported in the Prairie Provinces. More than 2 million Canadian Dollar was spend on research and knowledge development with respect to cooperatives during the course of the program (Anderson, 2011).

Throughout this program, information was gathered and disseminated with respect to the cooperative model and its innovative answers to societal challenges, also in the field of agriculture. The awareness of the specificity of this way of doing business has risen. However more importantly CDI presented, for the first time, a coordinated approach to cooperative development in Canada so that practitioners, cooperative experts and provincial/national cooperative associations in tandem with government could provide support (technical, but also managerial and specifically with respect to cooperative governance) to new and emerging cooperatives.

- Whereas the CDI was directed to all cooperatives, a specific short-term program for agricultural cooperatives, the Agricultural Cooperative Development Initiative, ran from 2006 till 2009. This program intended to promote sustainable livelihoods for Canadian farmers by assisting the development of biofuel and value-added agricultural cooperatives. The program was financed by Agriculture and Agri-Food Canada and had the same partners as the general Cooperative Development Initiative.

During its lifespan, this program provided nearly \$2 million in technical assistance support to 63 agricultural co-operatives across Canada - 27 co-ops involved in biofuels and bio-energy, and 36 co-ops exploring other value-added opportunities. With these funds, the co-ops made feasibility studies and business plans, developed member recruitment drives and share offerings, provided board and member training, and experienced learning exchanges with more established cooperatives. On top of that, two successful conferences were held, development guides, videos and other learning tools were created, and a research was completed on several important themes for agricultural co-operatives.<sup>16</sup> The program was intended to be continued in the second phase of Cooperative Development Initiative, which is now turned down due to budget restrictions, one year earlier than foreseen.

- The second round of the Cooperative Development Initiative was financed within the framework of the *Growing Forward* program, a broader nationwide capacity building/technical assistance programme in the field of agriculture.

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<sup>16</sup> <http://www.coopscanada.coop/en/orphan/The-Agricultural-Co-operative-Development-Initiative--Ag-CDI->

Other programmes supporting human capital building are not specific but open to agricultural cooperatives. Interesting in this respect is *FCC Learning*, the learning centre of *Farm Credit Canada*. It organizes learning events, and has a website with online information on farm success tips, global trends, weekly agrarian news, management tools, stories and advice from experts on a website. Young Farmers are also supported through the *FCC Young Farmers* program at every stage. Other programs provide training and education opportunities (e.g. the *Youth Employment Strategy* and *Human Resources and Skills Development Canada* which encompasses programs for human capital building in enterprises, to which also farmers and farmers' cooperatives may apply. These programmes provide financial support to internships, student loans and grants), support with respect to innovation (e.g. the nationwide *Agricultural Innovation Program – Knowledge Creation and Transfer*, which has the aim to provide firms and organizations across Canada access to government, university and other resources required to support successful transformation of innovative ideas into viable business ventures). *Regional Development Agencies* are also said to play a key role in business development in general across the country, though not specifically for cooperatives, and though it should be mentioned that there is an ongoing debate about the effectiveness of these instruments that intend to stimulate economic development (Dupuis, 2011).<sup>17</sup> The regional development agencies are the following:

- ACOA (for the Atlantic Provinces)
- Fednor (for Northern Ontario)
- FedDEV (for Ontario)
- CeDQ (for Québec)
- Western Economic Development (for the Western Territories)
- CanNor (Northern Economic Development)

Besides the federal programs, numerous territorial and provincial programs are set up in order to support businesses, among them cooperatives. Not many in Nunavut, Yukon, Saskatchewan and Alberta, but lots of them in the other provinces. For a complete overview we refer to the brochure by the Rural and Cooperatives Secretariat.<sup>18</sup> We came across the following:

- In Nova Scotia the Co-operatives Branch of the Nova Scotia government manages the Co-operative Associations Act of Nova Scotia, providing startup assistance, incorporation, registration, advisory services, inspections and winding-up services. The Business Development and Economics division within the Department of Agriculture in Nova Scotia provides professional economical analysis and expert business development support to the Nova Scotia agri-food and seafood industries. Its programs are designed to assist in the creation of a competitive business climate for the sectors through the identification, assessment and coordination of development strategies to capture new opportunities. It has developed among others the following services with respect to human capital development in agriculture: Business Management Online Library, Agr-Business Coaches, Business Skills Development (development workshops, tools and

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<sup>17</sup> It is claimed that the positive side is that these development agencies provide local enterprises and non-profit organizations with "single window" access to capital funding and business services, also for projects and proposals that conventional financial institutions would consider too risky and/or that find themselves in remote areas where no other support is available. On the other hand, despite the provision for many years of subsidies and loans to local organizations in economically depressed areas, disparities in regional economic performance remain and rural poverty persists. Some commentators doubt that these interventions are effective and may have delayed or prevented necessary adaptations by distorting business investment decisions. Others claim that stimulating general business activity and fostering competition through general tax incentives would have led to better results. A related debate is that concerning the respective role of each level of government, sometimes developing complementing and sometimes conflicting measures. But in response to this critique bilateral agreements on a wide variety of projects, including agriculture, have been concluded which coordinate program planning and funding. Other critiques state that regional approaches are not as efficient as programs focusing on rural/urban differences, since poorer regions in Canada are predominantly located in rural areas and tend to lag behind urbanized regions in virtually all economic development indicators (Dupuis, 2011).

<sup>18</sup> [www.agr.gc.ca/index\\_e.php?s1=info&s2=t&page=coop](http://www.agr.gc.ca/index_e.php?s1=info&s2=t&page=coop)

references), Farm Business Budgeting (budgeting tools and financial assessment of various opportunities to help farmers improve their business planning), and Product and Quality Development Services (assistance with the development of new, value-added agri-food and seafood products).<sup>19</sup>

- In Québec regional development co-operatives are set up to encourage co-operative development and promote the organization of cooperatives. They also offer technical services for start-up, expansion or follow-up. The objective of the Co-operatives Directorate of the Québec Department of Economic Development, Innovation and Export Trade (EDIET) is to promote the emergence of new co-operatives and the growth of existing ones in Québec.<sup>20</sup>
- In partnership with the Department of Innovation, Trade and Rural Development, the Newfoundland and Labrador Federation of Cooperatives has implemented a program that provides access to a comprehensive toolkit of cooperative information and development support services at the community level: *CoopZone*. First intended to provide support for the growth and development of cooperatives Newfoundland and Labrador, it is now elaborated to provide support to new and growing cooperatives across Canada. It is incorporated since mid-2009. Since its incorporation CoopZone is no longer under the management of the two national co-operative associations, the Canadian Co-operative Association (CCA) and the Conseil Canadien de la Coopération et de la Mutualité (CCCM). The two national associations have granted permission to use the name, "CoopZone", and the CoopZone website to the new CoopZone Developers Network. The objectives of the CoopZone-network are:<sup>21</sup>
  - To identify and develop a self-supporting group of co-op developers that is committed to the vision and objectives of the co-op movement.
  - To increase the interaction among consultants, developers and other professionals working with existing or new co-operatives.
  - To stimulate the development and sharing of cooperative resource materials.
  - To provide opportunities for ongoing skill enhancement and training.
  - To provide members of the CZDN with access to cooperative development opportunities, where applicable.
  - To stimulate the development of new co-ops by linking qualified developers to cooperative development opportunities.
  - To encourage new and existing cooperatives to join the appropriate cooperative sector organisations.
  - To provide a common voice for cooperative developers, especially within the broader cooperative sector.
  - To do all other things that are incidental or conducive to the attainment of the above objectives.
- The Manitoba government department of Housing and Community Development has developed its *Cooperative Development Services* to provide support to clients at no charge with respect to the promotion, incorporation, technical assistance and financing. It supports new and existing cooperatives with respect to compliance to existing regulations. *The Cooperative Promotion Board* was established to assist and encourage the development of cooperatives in Manitoba. Grants may be made to support the promotion of general welfare of residents of Manitoba through cooperative enterprise, to

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<sup>19</sup> [www.agpal.ca](http://www.agpal.ca) ; [www.gov.ns.ca/agri/bde/](http://www.gov.ns.ca/agri/bde/)

<sup>20</sup> [www.mdeie.gouv.qc.ca](http://www.mdeie.gouv.qc.ca)

<sup>21</sup> [www.coopzone.coop](http://www.coopzone.coop)

promote cooperative education and to undertake cooperative research by qualified educational institutions.<sup>22</sup>

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<sup>22</sup> [www.gov.mb.ca/housing/coop/index.html](http://www.gov.mb.ca/housing/coop/index.html)

## **4. Belgium**

### **4.1 Introduction**

The country report on Belgium (Gijssels & Bussels, 2011), prepared within the framework of this study on 'Support for Farmers' Cooperatives' provides an elaborated overview of the cooperative sector, and the agricultural cooperatives and producer organisations in particular. It also encompasses a broad list of government measures that aim to support cooperatives, either cooperatives in particular or enterprises in general. In this chapter we recapitulate the headlines and focus on policy measures in support of human capital building in cooperatives and producer organisations. To this, we add information obtained from a small survey on human capital building in agricultural cooperatives that we conducted within the framework of this research, as well as insights obtained from interviews and email communications with key figures in the field and policy makers.

From the EU-overview of policy measures in support of cooperatives prepared within the framework of this study (Brusselaers, Doorneweert, Poppe, 2011) we learn that, of all EU-countries, Belgium has developed the highest intensity of governmental support for cooperatives, it has a long history of cooperative organization in agriculture and recently the government (both the federal and the Flemish governments) tried to revitalize (agricultural) cooperatives. Belgium counts the highest rate of cooperative organization of fruit and vegetable farmers in Europe and in the dairy sector up to two thirds of the sector is driven by cooperatives. The biggest agricultural cooperative is situated in the dairy sector. It is Milcobel, which accounts for one third of all produced raw milk. In the pig sector COVAVEE stands for 1/5 of all slaughtered pigs (Gijssels & Bussels, 2011). However, in their overview of supportive policy measures for cooperatives in Europe, Brusselaers et al. (2011) claim that market shares of cooperatives are rather low in Belgium, compared to those in other EU member states, such as its neighbouring countries France and the Netherlands.

### **4.2 Cooperatives and agriculture in Belgium**

Belgium has a long history of cooperatives in agriculture, the first cooperatives having been established in the second half of the 19<sup>th</sup> century. The agricultural cooperatives were mainly set within the Christian farmers' movement, and were strongly embedded within Boerenbond (the Farmers Union) and the Caisse Raiffeisen (a cooperative bank). A law on cooperatives was established as early as 1873. The cooperative statute underwent subsequent changes during the last decade of the 20<sup>th</sup> century, creating a distinction between the cooperative society with limited and unlimited liability and formulating more strict regulations for the establishment and maintenance of the limited liability form, in turn of a stronger protection of the partners. We will discuss this in more detail in paragraphs 3.5 of this report. The corporate law does not stipulate anything with respect to the cooperative principles set forward by the International Cooperative Association. In order to correct this, and recognize and stimulate cooperative entrepreneurship, the National Council for Cooperation was established in 1955 and an accreditation procedure, accompanied by advantages for accredited cooperatives was passed by Royal Decree in 1962 (Gijssels & Bussels, 2011; Van Opstal, Gijssels & Develtere, 2008). Nowadays, the cooperative principles and business form are being rediscovered (Defourny, Simon & Adam, 2002; Van Opstal, Gijssels & Develtere, 2008; Gijssels, Coates & Deneffe, 2011). Also by farmers and traditional farmers' cooperatives. In 2003 the Flemish farmers' union (Boerenbond) took to initiative to establish a Cooperative Platform. The Platform aims to promote and support cooperative entrepreneurship in agriculture. In 2005 the Flemish Minister of Agriculture launched an Action Plan to promote cooperation in agricultural cooperatives and in 2006 the



Cooperative Platform developed a Corporate Governance Code for Agricultural Cooperatives.<sup>23</sup> In these times of huge demographic, environmental and societal challenges and economic turmoil, a renewed general interest in cooperation can be observed. Bottom-up cooperatives are being set up, and an interest in the model can be observed among individuals, as well as social movements. The Flemish Minister for the Social Economy recently has launched a program to support cooperative entrepreneurship as an answer to contemporary and future societal challenges (Gijssels, Coates & Deneffe, 2011).

Agriculture nowadays is only a small economic sector (representing less than 1% of GDP), but it is worth mentioning that primary agriculture in Belgium exports 6 times its share of GDP. If one also takes into account the important agri-food industry this figure increases up to 12 times (FOD Economy). Dairy cooperatives, cooperative fruit & vegetable auctions and producer organizations (organized as cooperatives) of fruit & vegetable growers are still extremely important for the agricultural sector in Belgium. In the ICA Global 300 list of largest cooperatives worldwide, Belgium is represented with 8 cooperatives (reference year is 2006), among which 3 agricultural cooperatives: AVEVE Group (a multipurpose company)<sup>24</sup>, Mechelse Veilingen (a vegetable auction) and Milcobel (a dairy cooperative). Cooperatives in Belgium can be found in all activity sectors.

In 2009 301 agricultural cooperatives were accredited by the National Council for Cooperation (60% of all accredited cooperatives). They are *mainly machinery cooperatives and processing and marketing cooperatives in the dairy, fruit & vegetables and pig meat sector*. There are also some bigger *cereal and live stock feed (supply) cooperatives*, mainly in the Walloon region and relatively small in international comparative perspective. One big *organization of farmers, multipurpose* in character is AVEVE, however it is not organized as a cooperative society (cf. supra). The largest number of accredited cooperatives is (in 2009) found in the Walloon region. Though the surface area of Wallonia and Flanders does not differ spectacularly (unlike Brussels Capital Region), which is a very small area), and the number of inhabitants as well as the number of farms is roughly speaking almost twice as high in Flanders as in Wallonia<sup>25</sup>, 64% of the (accredited) cooperatives is situated in Wallonia. This does not mean that farmers in Flanders are less involved in cooperatives than in Wallonia. The size of the cooperatives tends to be bigger in Flanders than in Wallonia. Most of the Walloon cooperatives are farmers' cooperatives, among them many machine use cooperatives (Gijssels & Bussels, 2011; Dujardin & Mertens, 2008).

In the dairy sector, up to two thirds of the Flemish dairy sector is organized through cooperatives (Agriculture and Fishery Department - Section Monitoring and Study, 2007, p. 8). The biggest cooperative in the sector, Milcobel, accounts for 1/3 of the processing of Belgian milk ([www.milcobel.be](http://www.milcobel.be)). Milcobel is the result of a merger of two important cooperatives: Belgomilk and BZU, also the result of many previous mergers of local dairy cooperatives. As regards the fruit and vegetable sector, 83% of the market is dominated by cooperatives and producer organisations (Agriculture and Fishery Department - Section Monitoring and Study, 2007, p. 8). It is also in this sector that the most transnational cooperatives (producer

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<sup>23</sup> The Governance Code for Agricultural Cooperatives can be downloaded from <http://www.boerenbond.be/Portals/2/Pdf's/Publicaties/deugdelijk%20bestuur%20cooperaties.pdf>

<sup>24</sup> In fact, AVEVE is not a cooperative society, but a public limited company. It fulfils all but one of the criteria of a cooperative: it is not owned by farmers. Its one and only shareholder is MRBB, the Farmers' Union. The company's intention is to realize benefits for the members of the Farmers' Union. Decision making is in the hands of the farmers who are member of the Farmers' Union. Member-farmers are invited for the annual meeting of the General Assembly and elect among them, the members of the Board. Member councils inform the member farmers of the Farmers' Union, that is the clients of AVEVE, about new trends and techniques in agriculture. The member councils are led by elected farmer-members of the Farmers' Union. At the level of the provinces councils are elected whose task it is to advise the national Board. Member-farmers of the Farmers' Union elect among them members of these provincial councils.

<sup>25</sup> However, on average the surface area of Walloon farms is more than double of the farms in Flanders. Walloon farms are more involved in arable farming and in the production of cattle breeding as well as, to a lesser extent, forestry. Flemish farms, on the contrary, are more involved in more intensified agriculture such as fruit & vegetables, pig meat, poultry and ornamental plant cultivation (FOD Economy, 2010).



organisations) are to be found. With respect to the pig sector, one of the few cooperatives that exist within this sector, COVAVEE has a market share of almost  $\frac{1}{4}$  of the slaughtered pigs. The sugar sector is completely devoid of cooperatives, and the (small) sheep sector are usually shunned by cooperatives as well.

## **4.3 Policy measures supporting cooperative human capital development and maintenance in Belgian cooperatives**

### **4.3.1 Measures taken by cooperatives**

#### ***a) Compensation for board members and managers***

Never before a study on measures taken by agricultural cooperatives in Belgium with respect to human capital building and maintenance has been made. Therefore, we developed a questionnaire (see annex 1) and sent it out to the cooperatives in the sectorial top-5's, defined earlier on, during the Belgian country analysis. 7 cooperatives returned the questionnaire: Covavee (pig meat), Mechelse Veilingen, Veiling Hoogstraten and IN-CO (all three in the fruit and vegetable sector), SCAM and SCAR (both in the sector of cereals, livestock feed), and Milcobel (dairy sector). Questions were related to manager and board compensation and education & training, as well as to networking and policy support for human capital building.

With respect to compensation and education & training for managers, this small survey reveals that in order to attract professional managers, the cooperatives under review pay similar salaries as other enterprises of the same size in the same sector: four out of seven refer to other cooperatives of the same size in the same sector, the other three refer to other enterprises (not specifically cooperatives) of the same size and in the same sector. Three of the seven cooperatives studied pay bonuses on top of the salaries of the managers. Bonuses are related to sales and evolution of the number of members (one coop), international prices for the same product processed (one coop), financial targets and evolution of the number of members (one coop). Three of the seven cooperatives who returned the questionnaire give compensation to board members. All give per diem or per meeting compensation combined with reimbursement of travel expenses (and other costs made).

#### ***b) Education and training***

All cooperatives studied inform new managers about the fact that they become manager in a specific type of enterprise, a cooperative, and its cooperative identity. All provide education and training for their managers, but only two of the seven cooperatives under study provide specific cooperative education and training (cooperative member management, cooperative human resources management, cooperative financing,...). All cooperatives reviewed provide education and training to their board members. In contrast to the education and training for the managers, the education and training for board members is in five of the seven cooperatives studied cooperative specific. All cooperatives studied say that in their boards, expertise is present with respect to the cooperative identity. In three of the seven coops studied board expertise is also available with respect to the management of (internal and external) relations, in 1 board there is specific expertise with respect to communication. Four cooperative boards have financial expertise and three have product expertise on board. One cooperative states that they have an external board member with specific entrepreneurial expertise, being a manager of another private enterprise. In another cooperative a manager of a sister organization is board member.

### ***c) Establishment of and participation in networks***

Three out of seven cooperatives who responded to our little survey on human capital issues in agricultural cooperatives are member of a second-tier cooperative or federation of cooperatives, four are member of an association of cooperatives and two are member of a cooperative development network. Exchange of experiences, training and education of (board) members and research and development, as well as joint branding and quality control are mentioned as advantages of the networks.

All the respondents are member of Boerenbond (the Flemish Farmers' Union) or its Walloon counterpart (FWA) and all Flemish cooperatives surveyed are (founding) members of the *Cooperatief Platform* (*Cooperative Platform*), a network of agricultural cooperatives that was established in 2003 by the Flemish Farmers' Union and its member agricultural cooperatives.<sup>26</sup> It aims to promote and support cooperative entrepreneurship in agriculture, to function as a think tank for future agricultural (cooperative) developments and to provide education for board members and future board members of agricultural cooperatives. The Cooperative Platform participated in the *Mixed Working Group on Cooperation* (a mixed group of government administration officials and stakeholder representatives in the field) initiated by the Flemish government, inviting all stakeholders to formulate input for the development of supportive policy measures for farmers and their cooperatives and organizations. It contributed to the subsequent *Action Plan for Cooperation in Agriculture*, initiated by the Flemish government in 2005 in order to strengthen the field. Within the framework of this Action Plan the Cooperative Platform developed a *Corporate Governance Code for Agricultural Cooperatives* (2006). One year later a publication '*Slim samenwerken, hoe doe je dat?*' (*Smart cooperation, how do you do it?*) was published by the *Innovatiesteunpunt voor de Land- en Tuinbouw* (the 'Support Centre for Innovation in Agriculture'), an initiative that was set up by the Flemish Farmers' Union and Cera (a financial service cooperative that emerged out of the former Raiffeisen Kassen). The publication describes good and innovative practices of cooperation in agriculture and provides lessons learned for those who want to develop new ones.

The *Support Centre for Innovation in Agriculture* gives advice to farmers en farmers' cooperatives and organizations and it organizes training and network sessions for farmers and farmers' cooperatives, amongst others on the topic of cooperation and networking, but also on topics related to new markets and products, energy-efficient production, water management and other environmental themes, and social innovation ([www.innovatiesteunpunt.be](http://www.innovatiesteunpunt.be)). In cooperation with *Coopburo*, an advisory service for new and growing cooperatives, established by Cera in 2012, it provides advice and it organizes networking and learning sessions. More specifically, in partnership with the Flemish Farmers' Union, *Coopburo* operates from 2012 the education and training mission of the former Cooperative Platform, which ceased to exist due to internal governance reasons. In 2012 the first initiatives were taken: a very successful training course for existing, future and aspirant board members in agricultural cooperatives. There were twice as much subscriptions as expected (40), with participants from big as well as from small cooperatives, and the audience was very satisfied. On demand of the audience, follow-up sessions will be organized focusing on specific topics, and the training course is planned to be organized every two years. The second initiative is the organization of networking and learning events for managers and board members in agricultural enterprises. They are planned twice a year.

All accredited agricultural cooperatives, among them the cooperatives who responded to our little survey on human capital in agricultural cooperatives in Belgium, are member of the National Council for Cooperation. This Council was established in 1955 by Royal Decree and is

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<sup>26</sup> Members of the *Cooperative Platform* are: Milcobel, COVAVEE, Mechelse Veilingen, Veiling Roeselare, Veiling Hoogstraten, Belgische Fruitveiling, Limburgse Tuinbouwveiling, Veiling Borgloon, Veiling Brava, Veiling Haspengouw, Bio-Noord, Boerenbond, AVEVE, Cera, Mölkerei Laiterie Walhorn, Profruco, Vlaamse Rundveehouders Vereniging, Campina, agro/bedrijfshulp.

charged with the task to set up events and initiatives to support cooperative development in the country, to raise awareness about the cooperative way of doing business, to represent the sector, to develop policy advice. There are interlocking directorates between the board of the Council and the boards of the biggest (agricultural) cooperatives. After the passing of the Royal Decree on the accreditation of cooperatives in 1962 no strong initiatives were taken in order to raise awareness and spread the word of cooperative entrepreneurship. Only at the legal level the Council worked hard to ameliorate the law on cooperatives (which resulted in the amendments to the law of 1991 and 1995). Between 1962 and the moment of the preparations for the commemoration of the 50<sup>th</sup> anniversary of the Council (celebrated in 2005) the cooperatives that were responsible for the policy of the National Council for Cooperation were largely thinking of themselves as being 'business as usual', rather as 'business, but not business as usual', as evocated by Dame Pauline Green in her speeches for the UN International Year of Cooperatives. Only in the time when preparations started for the 50<sup>th</sup> anniversary a revival of the idea of the cooperative difference and identity can be observed among the member cooperatives and at the level of the Council. This was fed by a book written by the present president of the National Council for Cooperation, published by Cera, on "the strength of cooperation" (Vanhove, 2003), and strengthened by the launch of a publication by the National Council for Cooperation that putted "the spotlights on cooperative entrepreneurship as entrepreneurship with a human face" (Mertens, Bosmans & Van Maele, 2008), as well as a book of the Cera Centre for Cooperative Entrepreneurship on 'Cooperative entrepreneurship in Belgium: theory and practice' (Van Opstal, Gijssels & Develtere, 2008).

#### **4.3.2 Government support measures for cooperative human capital building**

In the Belgian country report the various policy measures taken by the Belgian and regional governments in support of cooperatives were exhaustively presented (Gijssels & Bussels, 2011). The incorporation of cooperatives was made possible as early as 1873 when the first Cooperatives Act was voted. Through this law the Belgian government recognized the cooperative business model, though not the principles of cooperative entrepreneurship. The National Council for Cooperation was established in 1955 by Royal Decree and an accreditation procedure, accompanied by advantages for accredited cooperatives was passed by another Royal Decree in 1962. This way, the government indeed wanted to stimulate cooperative entrepreneurship according to the principles that were internationally recognized within the ICA. The National Council for Cooperation partly functions as a unit within the federal government (Ministry of Economy), responsible for promotion and the accreditation of cooperatives and for advising the government in matters related to cooperatives. However, it is only a small staff that is paid by government in order to do this job. The Council mainly functions as a network of cooperatives, supported and driven by the biggest cooperatives in the different economic sectors in which cooperatives exist in Belgium and that sit on its board (cf. supra). It is the main result of the Council that the cooperative statute underwent subsequent changes during the last decade of the 20th century, creating a distinction between the cooperative society with limited and unlimited liability and formulating more strict regulations for the establishment and maintenance of the limited liability form, in turn of a stronger protection of the partners (Gijssels & Bussels, 2011; Gijssels, Coates & Deneffe, 2011; Van Opstal, Gijssels & Develtere, 2008).

At present, policy at the federal, national level exclusively focuses on the implementation of European law and EU-level co-ordination related to agriculture. Apart from legal, fiscal and competition matters, it is the regional governments that, since the federalisation of the Belgian state, became responsible for supportive agricultural and entrepreneurial policies. The focus in this paper therefore lies with these subnational policy levels, as well as the European regulations (and other forms of legislation) which have a direct impact on agricultural policy in the regions. Moreover, we focus largely on Flanders, since we were not able to obtain the same in-depth information on Walloon policy measures.

From the analysis in preparation of the country report on Belgium (Gijssels & Bussels, 2011), we can distil the following supportive policy measures for human capacity building in agricultural cooperatives – apart from the important government support for formal secondary and higher education programs specifically aimed at developing skills and expertise in agriculture, entrepreneurship, law, fiscal issues, and the like:

Table 3: Policy measures in support of human capacity building available for agricultural cooperatives in Belgium (federal and regional governments)

Name of Policy Measure in support of human capacity building	Target	Expert comment on effects on development of the cooperative
Europe		
Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)	Specific to producer organisations and interbranch organisations	This Regulation sets the rules concerning the recognition and operation of producer and interbranch organisations. In particular, producer organisations must develop a joint programme of production and be able to adapt to demand. Interbranch organisations do not only consist of producers. They may include representatives from the economic sectors connected with the production, trade or processing of agricultural products. In particular, interbranch organisations aim to optimise the product production and processing costs. The CMO in Fruit & Vegetables proved to be a success story in Belgium: it stimulated cooperation in the field, as well as the development of a supportive policy for farmers' organizations and cooperatives. Several strategies have been worked out by the Flemish government, in consultation with representatives of farmers and farmers' organizations/cooperatives, which have to do with the development of cooperative human capital (cf. infra).
Federal level		
NCC-code for cooperative entrepreneurship	Specific to cooperatives	The code merely stipulates guidelines for cooperative management and entrepreneurship, thereby potentially influencing the internal governance of cooperatives.
Flanders		
National Strategy for Sustainable Operational Programmes, Belgium – Flanders, CMO Fruit & Vegetables	Applicable to business in general, in the fruit & vegetables sector, but with specific attention to cooperatives and producer organisations	Several strategies in this National Strategy are directed to stimulate and strengthen human capital development in cooperatives and producer organisations: <ul style="list-style-type: none"> <li>➤ Making jobs in the F&amp;V sector more attractive to potential employees, in order to attract more motivated and skilled employees</li> <li>➤ Management and entrepreneurship courses in agricultural schools (secondary education)</li> <li>➤ Education and training for farmers with</li> </ul>

		<p>regard to management and entrepreneurship</p> <ul style="list-style-type: none"> <li>➤ Support for farmers who want to cooperate in PO's</li> <li>➤ Support for PO's for research &amp; development</li> </ul>
Action Plan "Cooperation in Agriculture"	Specific to cooperatives	<p>An action plan presenting multiple lines of action revolving around cooperative entrepreneurship. If anything, it influences the institutional environment once it gains recognition. Results:</p> <ul style="list-style-type: none"> <li>➤ Cooperation is stimulated in all agricultural policy measures. Support for farmers' organisations is reserved for those organizations that are cooperatives, accredited by the National Council for Cooperation. PO's in fruit and vegetables sector only obtain support and recognition when they are accredited cooperatives.</li> <li>➤ Good Governance Code for Agricultural Cooperatives has been published.</li> <li>➤ A <i>Co-operative Platform</i> has been established by the sector. However, it ceased to exist due to internal governance issues. Its education, training and networking functions have been taken over by the <i>Forum for Cooperation in Agricultural Enterprises</i>, now integrated in Coopburo.</li> </ul>
Mixed Working Group on Cooperation	Specific to cooperatives	Participatory forum between all stakeholders, engendering a change in the institutional environment
Action Plan Cooperative Entrepreneurship	For cooperatives, but not in agriculture	<p>An action plan presenting multiple lines of action revolving around cooperative entrepreneurship. If anything, it influences the institutional environment once it gains recognition. Since it is developed by a ministry and administration that are not responsible for agriculture, it is not specifically developed for agricultural cooperatives. The agricultural sector was not involved in the development and implementation of this Action Plan.</p> <p>The Action Plan has three axes:</p> <ul style="list-style-type: none"> <li>➤ Research</li> <li>➤ Collective information and sensitisation: <ul style="list-style-type: none"> <li>○ website</li> <li>○ seminars</li> <li>○ yearly "cooperative event"</li> </ul> </li> <li>➤ Development <ul style="list-style-type: none"> <li>○ Tailor made advice for starting cooperatives</li> <li>○ Financial support for pilot projects</li> </ul> </li> </ul>
Vocational training and information actions	Applicable to business in general	Measures supporting educational projects potentially benefit the performance of cooperatives by for example improving management. In this sense it can influence the position in the food chain, as well as internal

		governance. Seen as this measure forms part of the 1 <sup>st</sup> axis of the EAFRD (improving competitiveness) it aims at affecting the position in the food chain as well.
Starting Young farmers	Applicable to business in general	The inclusion of young farmers in the work force potentially changes the institutional environment in which cooperatives function. Seen as this measure forms part of the 1 <sup>st</sup> axis of the EAFRD (improving competitiveness) it aims at affecting the position in the food chain as well.
Use of advisory services	Applicable to business in general	Financial support for hiring business, financial advice. Impacts on managerial issues, both internal (governance of the cooperative) as external (how to stay afloat on the market). This measure forms part of the 1 <sup>st</sup> axis of the EAFRD as well.
IWT: R&D enterprise projects	Applicable to business in general	Financial aid geared towards R&D, which might enhance the position in the food chain and the competitiveness of the cooperative applying for this supportive measure.
IWT: SME innovation projects	Applicable to business in general	This line of credit aims at fostering innovation in small- and medium-sized enterprises, comprising cooperatives.
Youth Action Plan	Applicable to business in general	Action plan aspiring to change the institution environment.
Farmers on Crossroads	Applicable to business in general	An agency offering advice to farmers in difficulties. This advice might interact with internal governance or might lead to an improvement in economic performance.
Portfolio for Entrepreneurship	Applicable to business in general	Supplying financial support to individuals seeking to participate in educational programmes, this measure could impact both the position as well as the internal governance of cooperatives.
Wallonia		
"Implementing cooperation projects"	Applicable to business in general	Measure supporting cooperation (though not necessarily under the form of cooperative societies) in agriculture
Vocational training and information actions	Applicable to business in general	Measures supporting educational projects potentially benefit the performance of cooperatives by for example improving management. In this sense it can influence the position in the food chain, as well as internal governance. As part of the 1 <sup>st</sup> axis of the EAFRD (improving competitiveness) it aims at affecting the position in the food chain as well.
Starting young farmers	Applicable to business in general	The inclusion of young farmers in the work force potentially changes the institutional environment in which cooperatives function. Seen as this measure forms part of the 1 <sup>st</sup> axis of the EAFRD (improving competitiveness) it aims at affecting the position in the food chain as well.

An interest in cooperative entrepreneurship and its advantages for farmers can be observed within the Flemish government at the time of the renaissance of the Council for Cooperation. As

mentioned in the previous paragraph, in 2005 – the year of the 50<sup>th</sup> anniversary of the Council for Cooperation - the Flemish government launched an *Action Plan to promote cooperation in agricultural cooperatives*. The sector was involved in the development and implementation of the Action Plan via a *Mixed Working Group on Cooperation*. The Mixed Working Group contributed to the development of a *Corporate Governance Code for Agricultural Cooperatives*, and a publication by the Ministry of Agriculture on '*Cooperation in Agriculture*' (2007). Both publications can be seen as results of the Action Plan. The plan also stipulated that the government would carefully look at new policy measures in agriculture, competition, legal and fiscal issues in order for them not to be disadvantageous for (agricultural) cooperatives. It can be confirmed that the government indeed is developing supportive measures for agricultural cooperatives and producer organizations. This is very much stimulated by the CMO in Fruit & Vegetables. The national strategies (developed for Flanders by the Flemish government) developed within the framework of this CMO are amongst others also focusing upon human capital development in agricultural cooperatives and producer organisations. It should be noted that producer organizations in Flanders, in order to obtain recognition and support, should take the form of cooperative society and should obtain an accreditation of the NCC. Cooperation in agriculture is stimulated in all agricultural policy measures.

The *Corporate Governance Code for Agricultural Cooperatives* is reported to have a (however marginal) positive effect.

The Action Plan stimulated the establishment of a *Cooperative Platform* by the sector, initiated by the Flemish farmers' union. The aim of the Cooperative Platform was to support farmers to cooperate and support farmers' cooperatives via education, training and networking. It ceased to exist due to internal governance reasons. Its functions have been taken over by the *Forum for Cooperation in Agricultural Enterprises*, a partnership between the Farmers' Union and Cera, with *Coopburo*, the cooperative service of Cera, as the operating partner (cf. supra).

In 2011 the Flemish Minister for the Social Economy launched an *Action Plan for Cooperative Entrepreneurship* to raise awareness and support cooperative entrepreneurship as an answer to contemporary and future societal challenges (Gijssels & Bussels, 2011; Gijssels, Coates & Deneffe, 2011). The Action Plan has three axes: research, collective information and raising awareness, development.

- Research: in the first round, one research project was conducted which intended to broaden the knowledge of how the cooperative model can work and add value in fields such as childcare, health, energy and housing. Flemish as well as international cases were studied.
- Collective information and raising awareness: in this same phase of the Action Plan, 3 seminars were organized by a consortium of consultants in the field of cooperative entrepreneurship and the research institute for Work and Society (HIVA) based at the KU Leuven, with the financial support of the Flemish government. These were moments of raising awareness, collective information and networking. Also, a website ('[www.cooperatiefvlaanderen.be](http://www.cooperatiefvlaanderen.be)') was created by a consortium of cooperatives, consultants and researchers, financed by the Flemish government, bundling information on cooperative entrepreneurship in Flanders. In June 2011 and June 2012 a cooperative event was organized by the Ministry in charge of the Action Plan in order to raise awareness of the cooperative model, to provide collective information on specific aspects of cooperative entrepreneurship and to provide an opportunity for networking in the field.
- Development: a consortium of consultants in cooperative entrepreneurship was supported to provide tailor made advice for starting cooperatives. Also 16 pilot projects received financial support (up to a maximum of 100.000 Euro each) in the first round (2011). In the second round the budget has been raised through a collaboration with ESF

and it will be possible to support up till 20 projects. These projects get initial funding for setting up a cooperative initiative. They can engage a coordinator and hire external business, legal, financial advice provided by consultants and professionals in the field. Representatives of these pilot projects are gathered in two collective information and networking moments, organized by the Department of Work and Social Economy. The projects have to write an extensive report on their evolution, the process and key figures, the challenges and pitfalls and how they survived them (or not), so that lessons can be learned. These lessons learned will be presented in a publication that aims to inform future cooperative initiatives as well as policy makers. Papers with respect to the development of niche markets for cooperative entrepreneurship (sustainable energy, housing and care) will also be prepared by the consortium of consultants and the researchers of HIVA.

This Action Plan and the pilot projects are still ongoing, so it is too early to make an evaluation of the impact of this support measure. It should be noted, however, that the agricultural sector was not involved in the development and implementation of this action plan. And because agriculture is the competence of a different administration and minister, this project is not directed to cooperation in agriculture. Policy measures for farmers and farmers' organizations are developed within the framework of the agricultural policy, as well as the entrepreneurship policy measures. Nevertheless, a small number of projects in the field of 'sustainable production and consumption' and 'short chain management' are supported as pilot projects within the framework of the Action Plan of the Flemish minister of Social Economy.

With respect to the other support measures for human capacity development, the following comments by key figures in the field and policy makers were obtained (Gijssels & Bussels, 2011):

- "Implementing cooperation projects": this Walloon policy measure has significant potential to stimulate cooperative entrepreneurship (although the term "cooperation" does not merely refer to cooperatives), yet this potential is all but exploited as the budget remained unused as of 2009;
- "Portfolio for entrepreneurship" and "Strategical support to SMEs and big enterprises": both Flemish policy measures have the potential to aid in the establishment and survival of cooperatives, however agricultural organisations are shunned from these supportive measures (awarded on the basis of NACE-codes, from which those referring to agriculture have been exempted).
- "IWT: SME innovation projects": cooperative entrepreneurship is regarded as a form of innovative organisational behaviour and as such might be perfectly tailored to this supportive measure. However, in practice we see that only very few agricultural cooperatives apply for it.



## 5. Comparative Analysis and Conclusions

In this chapter we make a comparative analysis of the policy measures in support of human capital development in Belgium and Canada. We zoom in on the types of measures taken by government and by cooperatives, as well as on the context in which they are to be situated (paragraph 5.1). From this comparison we draw conclusions with respect to the development of an enabling context for human capital development in agricultural cooperatives (paragraph 5.2), while also drawing the attention of the reader to the limitations of this research (paragraph 5.3).

### 5.1 Canada-Belgium: a comparison of measures in support of human capital development in agricultural cooperatives and of the context in which they are taken

#### 5.1.1 The broader economic and political-institutional context

Canada is a much more rural country and agriculture and agrifood business are representing a much larger part of the economy than is the case in Belgium. However, both in Canada and Belgium the *number of agricultural cooperatives* remains relatively constant over the last decennium, despite the fact that important mergers and amalgamations can be observed. This means that new cooperatives are created at a time others merge or cease to exist and that the cooperative model seems to continue to be attractive to farmers, at least in some sectors. Both Canada and Belgium have agricultural cooperatives with large *numbers of members*, next to small cooperatives.

With respect to the political institutional structure of both countries, both Canada and Belgium are *federal states*, with important (Canada) or all (Belgium) competences related to human capital development in agriculture and agricultural cooperatives situated at the provincial (Canada) or regional (Belgium) level.

#### 5.1.2 Government support for cooperative business development

Both in Canada and in Belgium governments at different levels are supporting the development of the cooperative sector:

- In both countries a policy unit for cooperatives has been established at the level of the federal government. In Canada the Rural and Cooperatives Secretariat is based within the department of agriculture in Canada, while in Belgium the National Council for Cooperation is situated within the ministry (FOD) of Economy. The Belgian National Council for Cooperation is only partly a government unit (responsible for the accreditation of cooperatives) and mainly an advisory council and a network of cooperatives. The Canadian Rural and Cooperatives Secretariat was cut down in April 2012. However, its impact is seen as important. It provided an overview of all policy measures (available) for cooperatives – also measures taken at the provincial and territorial levels, and tried to play a coordinating role. In Belgium such an overview and coordination are completely lacking. Different policies are developed by different regions and there is hardly any communication and information sharing. Also, within one region, different policy measures are taken by different ministries and there is hardly any communication and coordination between them, let alone that synergies be realized.
- In both countries *policy measures specifically geared toward cooperative development* have been implemented.
  - o In Canada the Cooperative Development Initiative has been launched in 2003. It is managed by the federal Rural and Cooperatives Secretariat. A specific Agricultural Cooperative Development Initiative was developed, later inserted in

the second round of the general Cooperative Development Initiative. Despite the recommendations of Cooperative Policy Forum, established in 2010 in order to organize the dialogue between the government (Rural and Cooperatives Secretariat) and the cooperative and community economic development stakeholders, as a result of the budget restriction policy of the Canadian federal government, the Cooperative Development Initiative was cancelled one year earlier than originally planned (April 2012) and the Rural and Cooperatives Secretariat was reorganized and had to dismiss personnel with cooperative expertise. Several provinces also developed policies in support of the development of cooperatives.

- In Belgium - since entrepreneurship, agriculture and education are regional matters - it is not the federal government and the National Council for Cooperation in the federal ministry (FOD) of Economy that developed cooperative development policies. Policies are developed at a regional level. We only know of specific measures for cooperative development in Flanders. In Flanders, an Action Plan for the promotion of Cooperation in Agriculture has been launched by the Flemish government department of Agriculture & Fishery in 2005. However, it needs to be emphasized that this action plan has been developed in close collaboration with the Flemish member cooperatives in the Commission of Agricultural Cooperatives of the National Council for Cooperation, resembled in the Cooperative Platform (an initiative of the Flemish Farmers' Union of which all these cooperatives are members), and this platform was represented in the Mixed Working Group on Cooperation in which the government and representatives of the sector developed the plan. Subsequently, but completely detached from that initiative, an Action Plan for Cooperative Entrepreneurship has been launched by the Flemish government department of Social Economy in 2011. The silos between the government departments have led to the fact that the first action plan was not directed to cooperatives in other sectors than agriculture, while the second action plan is not directed to agricultural cooperatives but to the development of cooperatives in other sectors (sustainable energy, sustainable production and consumption, mobility, housing, health care, child care, poverty reduction, culture and social cohesion). Unlike in Canada, there is no coordination and little information sharing between both. No synergies are sought and no overall learning and collaboration is foreseen.
- The Canadian and the Flemish cooperative development action plans have a similar structure. They both have a component 'raising awareness and knowledge about the cooperative model', a component 'advisory services' (organized in collaboration with the cooperative sector), and a component 'research & innovation' (with support for innovative pilot projects and for research into the plus values of the cooperative model). However, in the Canadian CDI an explicit aim was also to strengthen the national and regional/provincial councils, federations and organizations of cooperatives. This element is lacking in the Flemish plan. The Canadian CDI also wants to establish broad-based partnerships between cooperatives and other community-based organisations. This objective is also absent in the Flemish action plan for the promotion of cooperative entrepreneurship. Networking is supposed to be facilitated via the organization of a yearly cooperative event (since 2011) by the Flemish ministry of the Social Economy and the collective information sessions organized by the consortium of consultants and researchers with the support of the Flemish government. Also, the research component of the Flemish action plan is much more modest (only one research project was supported) than the research component of the Canadian CDI. The Flemish agricultural cooperation action plan only focused on the development of a Corporate Governance Code for Agricultural Cooperatives, and the publication of a general introductory paper

outlining the benefits and examples of cooperation in agriculture. It also had the aim to make sure that legal and regulatory measures that were developed in agricultural and entrepreneurial and competition policies were not disadvantageous for cooperatives. And it promised to support research in support of cooperation in agriculture, but nothing was actually realized.

- Both in Canada and in Belgium local development agencies are providing financial support and professional backstopping to new businesses in general. Consultants specialized in cooperatives are involved in the action plans and cooperatives can obtain financial support when they want to seek advice.

### 5.1.3 Cooperative education & training

In both countries secondary and higher education is highly developed, also with respect to business, management, agricultural and technical subjects. On-the-job training, internships and employment programs are developed and available for agricultural cooperatives as well. However, the cooperative model is virtually absent from regular curricula in secondary and higher education, as well as in lifelong education.

It is the sector itself who is taking initiatives to develop training and education for cooperative managers and board members. In some Canadian Provinces (namely Nova Scotia, Ontario and Québec), specific master or certification programs with regard to cooperative management have been developed in partnership with business schools at universities. In Belgium, the Cooperative Platform (within the Flemish Farmers' Union) was set up, but quickly abolished because of internal governance issues. Now, a Forum for Cooperation in Agricultural Enterprises, on behalf of which the training and education mission is operated by Coopburo, a cooperative development service of Cera, in partnership with the farmers' union has been set up. It organizes training and education sessions for board members and future board members of agricultural cooperatives, but it has a much more modest design than the Canadian programs and it is not organized in cooperation with universities, university colleges or business schools.

All seven Belgian top-cooperatives who responded to our little survey on human capital in cooperatives say they inform the new managers about their cooperative identity and difference. They all offer *education and training* to their managers and board members, though only a small minority also provides specific cooperative education, in contrast to the education and training for board members which, in the majority of the cases, is also cooperative education.

### 5.2.4 Cooperative networks

In both countries, cooperatives formed Councils for Cooperation and federations and associations of cooperatives.

- In Canada, federal associations (one French speaking, one English speaking) are bridging, coordinating and jointly representing the provincial and territorial councils and associations.
- In Belgium only a federal Council for Cooperation exists. It has no regional branches. In Flanders some pillarized associations and federations of cooperative associations exist and the farmers' cooperatives are all member of the Flemish Farmers' Union.

Both in Canada and Belgium/Flanders, the cooperative sector closely interacts with the government in order to realize an enabling policy framework for cooperative entrepreneurship.

- The secretariat of the Belgian National Cooperative Council is situated within the ministry (FOD) of Economy that is responsible for the accreditation of cooperatives. At the level of the Flemish government, the respective departments of Agriculture and Social Economy have established working groups to develop policy measures in

response to needs put forward by the cooperative sector. A consortium of cooperative development agents and researchers, supported by the sector and the Flemish government is involved in the provision of general, collective and tailor made advice and information.

- In Canada the French and English speaking associations of cooperatives were closely collaborating with the Rural and Cooperative Secretariat with respect to the development and implementation of the Cooperative Development Initiative. Representatives of the cooperative and community economic development sector were highly engaged in the Cooperative Policy Forum in which dialogue with the government's Rural and Cooperative Secretariat with regard to the development of an enabling policy framework for (agricultural) cooperatives took place.

In networks, associations and federations of cooperatives, human capital of member cooperatives is broadened via learning and networking, and joint research and development – both with respect to products and markets and with respect to the cooperative identity and difference. In both countries cooperative development agencies (consultants) have been developed, supported by the cooperative sector and the government. Training and education is developed by the sector (as we have explained in the previous paragraph 5.2.3) and collective information & networking moments are organized, also with support of the government.

### 5.2.5 Compensation

In order to be able to compete in the labour market and attract the necessary skills and expertise, cooperatives try to offer *salaries* that are in line with those of other cooperatives and enterprises in the sector. No big tradition exists within cooperatives to offer contingent payment to managers and directors. Though we have to be careful with the interpretation of the results of the survey among the biggest agricultural cooperatives in Flanders since only 7 of them filled in and returned the questionnaire, we see that less than half of them pay bonuses to their managers and pay *per diem or per meeting compensation and reimbursements of actual costs* made to board members. From a comprehensive study by Brown in collaboration with the Canadian Cooperative Association, we know that in Canada 52% of the cooperatives give compensation to board members, though this compensation is much lower than in the corporate sector. The size of the compensation paid by a cooperative to its board members is comparable to that of other cooperatives of the same size. A survey among Canadian cooperative grocers shows that the height of salaries of managers is related to the height of the sales, though their salaries are lower than that of their corporate counterparts. In general, contingent payment is higher when sales are higher. Case studies show that boards of cooperatives as well as cooperative managers are sceptical about paying bonuses, especially *ex ante* bonuses. They don't think it is necessary, since they have a different relationship with the enterprise than is the case in other firms, and since it would reduce the financial advantage for the member-owners. If bonuses are paid, a good set of criteria and very transparent information on the topic are of the utmost importance.

## 5.2 Lessons learned

Cooperatives need to invest in human capital development, both of their employees and managers and of their board members and future board members. In order to attract and keep expertise and skills, they have to compensate their employees and managers well, and may offer board members compensations that ensure that they are able to pay for the expenses and make the effort of dedicating time and energy to the meetings and the other activities of the board. Provided that the employees and managers perceive their payment as fair, and compensations for board members are such that they can make the effort, it may not be necessary to pay (high)

bonuses. In case contingent payment is used, transparent criteria and evaluations fit to the core objective(s) (the member benefits) of the cooperative are needed and transparent information is to be given.

General technical and entrepreneurial education and training of (future) employees, managers and board members is necessary, but even more so, education and training with specific attention to how the cooperative difference and identity translate into business issues is needed as well. All parties involved, whether members or managers and staff, need to be aware of the specific characteristics of this form of enterprise and this form of entrepreneurship. Members and managers both need to develop the capacity and the willingness to communicate with each other and jointly develop their business in a process of collective entrepreneurship, especially in cooperatives with a certain scale, a certain degree of complexity, and a professional management. Not for nothing training, education and information is seen as the fifth principle of cooperative entrepreneurship. Given the lack of attention for the cooperative business model and governance, this unfortunately is not learned in the majority of agricultural and business schools. Training is needed in specific programs, but also the meetings of the members of the cooperative are essential moments of information, communication and elaboration of the core difference and identity of the cooperative. Governments can support training and education programs, support the development of curricula and teaching materials concerning the cooperative business model and governance, and stimulate that this be taught in secondary and higher education. They can also explicitly applaud the transparent, democratic and member oriented decision making and communication of the cooperatives.

In networks, associations and federations of cooperatives, the internal human capital (of members and employees) of cooperatives can be broadened. Next to realizing economies of scale and market power, they are important from the perspective of human capital building. Through them, cooperatives can share information, organize mutual learning, offer education and training to their members and personnel, develop joint research and development projects. Governments can provide structural support to these networks and to their projects for human capital development. Supported by the mature cooperatives cooperative development agencies can be established that stimulate and coach the development of new cooperatives and projects of cooperation in the field.

The importance of awareness raising, of creating a culture of cooperation, of informing society about the plus values of cooperatives cannot be underestimated. The government can support the sector in spreading the word, in showing the difference they make through research and the facilitation of networking and awareness raising initiatives and events. A difference between Canada and Belgium is the level of integration and coordination of the policy measures in support of agricultural cooperatives. The importance of a coherent and integrated policy framework cannot be overemphasized. Especially in federated countries the various policy levels need to communicate and develop coherent policy measures for cooperative development in all economic sectors. Also different ministries and departments need to communicate and coordinate measures. The CDI –program in Canada was intended to integrate information concerning the specific cooperative business model and measures to support its development. It has led to an enhanced accessibility of measures for cooperatives and their federations and associations, to a cooperation between governments, practitioners, cooperative experts and associations and federations of cooperatives at all levels, and it has led to new and emerging cooperatives, also in regions with less tradition of cooperative entrepreneurship.

### **5.3 Limitations**

Within the framework of this study, it was not possible to make an analysis of the outcome or effects of the various policies in support of human capital development and maintenance in cooperatives, both in Canada and in Belgium, as well as at all levels. With respect to the Belgian government policies in support of human capital development in cooperatives, we only had more in depth information about the federal and the Flemish policy measures. In Canada we mainly observed the federal measures taken. Evaluation studies in this field have not been made earlier, data gathered within the context of this study are partial, and we were not able to draw causal connections.

Taking the limitations of the data into account, and in combination with the insight from the literature, we think that this paper provides a first, exploratory and descriptive insight into the measures that governments and cooperatives can take in order to support the development and maintenance of human capital in agricultural cooperatives, and how these measures can reinforce one another.

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## Appendix A.

# Questionnaire

## Human Capital in Cooperatives

	question	options	response
1	<b>Name of your cooperative</b>		
Add 1	<b>If your coop has professional managers, what are the main criteria for setting the salary of the managers?</b>  <i>Please tick the appropriate box in column D</i>  <i>(if your cooperative does not have professional managers, go immediately to question add 8)</i>	Salaries in other cooperatives of the same size (1)  Salaries in other cooperatives of the same sector (2)  Salaries in other cooperatives of the same size and sector (3)  Salaries in other companies (in general) of the same size (4)  Salaries in other companies (in general) of the same sector (5)  Salaries in other companies (in general) of the same size and sector (6)	
Add 2	<b>Does your cooperative give bonuses to managers?</b>  <i>Please tick the appropriate box with an 'x' in column D</i>	yes (1)  no (0)	
Add 3	<b>If yes, what criteria are used to determine the bonuses?</b>  <i>Please tick the appropriate box with an 'x' in column D</i>	sales (1)  financial performance (2)  membership rates (3)  other (4)	
Add 4	<b>If other criteria are used, please describe them in column D:</b>	...	
Add 5	<b>Are training &amp; education offered to professional managers of your cooperative?</b>  <i>Please tick the appropriate box with an 'x' in column D</i>	yes (1)  no (0)	

Add 6	<b>If training and education are provided to professional managers of your cooperative, is this training and education specific for cooperatives (cooperative governance, member management, cooperative HRM, cooperative finances,...)?</b>	yes (1)	
	<i>Please tick the appropriate box with an 'x' in column D</i>	no (0)	
Add 6	<b>Are professional managers informed about the specific cooperative identity of the organisation the moment they are engaged by the cooperative?</b>	yes (1)	
	<i>Please tick the appropriate box with an 'x' in column D</i>	no (0)	
Add 8	<b>Are training &amp; education offered to board members of your cooperative?</b>	yes (1)	
	<i>Please tick the appropriate box with an 'x' in column D</i>	no (0)	
Add 9	<b>If training and education are provided to board members of your cooperative, is this training and education specific for cooperatives (cooperative governance, member management, cooperative HRM, cooperative finances,...)?</b>	yes (1)	
	<i>Please tick the appropriate box with an 'x' in column D</i>	no (0)	
Add 10	<b>Does your cooperative give compensation to board members?</b>	yes (1)	
	<i>Please tick the appropriate box with an 'x' in column D</i>	no (0)	
Add 11	<b>If yes, what kind of compensation is offered?</b>	per diem or per meeting stipend (1)	
	<i>Please tick the appropriate box with an 'x' in column D</i>	annual stipend (2)	
		other (3)	
Add 12	<b>If other types of compensation are offered to board members, please specify in column D:</b>	...	

Add 13	<b>What kind of expertise is present in your board?</b>	cooperative identity (1)	
	<i>Please tick the appropriate box with an 'x' in column D</i>	financial (2)	
		marketing (3)	
		product (4)	
		communication (5)	
		HRM (6)	
		member management (7)	
		legal (8)	
		fiscal (9)	
		other (10)	
Add 14	<b>If other kinds of expertise are present, please specify in column D:</b>	...	
Add 15	<b>Is your cooperative member of a network?</b> <i>Please tick the appropriate box with an 'x' in column D</i>	yes (1)	
		no (0)	
Add 16	<b>If your cooperative is member of a network, what kind of network is it?</b> <i>Please tick the appropriate box with an 'x' in column D</i>	Inter-organizational network for particular purpose (second tier coop, coop federation) (1)	
		Supply chain network with other cooperatives (2)	
		Professional (or cooperative development) network/association (3)	
		Network with other coops, individuals, businesses or government agencies for a particular purpose, often outside your core business / often formed to provide a public good (e.g. education, R&D, healthcare, social care,...) (4)	
		Other network (5)	
Add 16	<b>If your cooperative is member of another type of network, please describe it in column D:</b>	...	
Add 17	<b>If your cooperative is member of a network, what are the advantages of participating in this network(s)?</b>	learning and exchange of experiences (1)	

	<i>Please tick the appropriate box with an 'x' in column D</i>	lobbying and policy influence (2)	
		Achieve economies of scale and scope, marketing by common branding, adaptability to a changing environment (3)	
		other (4)	
Add 18	<b>In case of other advantages, please describe them in column D</b>	...	
Add 19	<b>Does your cooperative benefit from support from government (at any level) for building capacity (training, education, advisory grant,...)?</b> <i>Please tick the appropriate box with an 'x' in column D</i>	yes (1)	
		no (0)	
Add 20	<b>If yes, what kind of support?</b> <i>Please tick the appropriate box with an 'x' in column D</i>	grant for training of managers, employees, board members (1)	
		grant for obtaining business advise (2)	
		other kind of support (3)	
Add 21	<b>If your cooperative benefits from other kinds of support for building capacity, please describe this support in column D:</b>	...	
Add 22	<b>At what government level is the support granted?</b> <i>Please tick the appropriate box with an 'x' in column D</i>	Europe (1)	
		Belgium (2)	
		region (Flanders, Wallonia, Brussels Capital Region) (3)	
		province (4)	
		local community (5)	
Add 23	<b>Does your cooperative obtain any kind of support from government (at any level) for research and innovation)?</b> <i>Please tick the appropriate box with an 'x' in column D</i>	Yes (1)	
		No (0)	
Add 24	<b>At what government level is the support granted?</b>	Europe (1)	

	<i>Please tick the appropriate box with an 'x' in column D</i>		
		Belgium (2)	
		region (Flanders, Wallonia, Brussels Capital Region) (3)	
		province (4)	
		local community (5)	